

**SUBCOMMITTEE HEARING ON  
LEGISLATIVE INITIATIVES  
TO MODERNIZE SBA'S ENTREPRENEURIAL  
DEVELOPMENT PROGRAMS**

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**HEARING**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS  
UNITED STATES  
HOUSE OF REPRESENTATIVES**

**ONE HUNDRED ELEVENTH CONGRESS**

**FIRST SESSION**

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**SUBCOMMITTEE ON RURAL DEVELOPMENT,  
ENTREPRENEURSHIP AND TRADE  
HEARING ON LEGISLATIVE INITIATIVES TO  
MODERNIZE SBA'S ENTREPRENEURIAL  
DEVELOPMENT PROGRAMS**

**Thursday, April 2, 2009**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to call, at 10:30 a.m., in Room 2360 Rayburn House Office Building, Hon. Heath Shuler [chairman of the Subcommittee] presiding.

Present: Representatives Shuler, Dahlkemper, Clarke, Fallin, Buchanan, Luetkemeyer and Thompson.

Chairman SHULER. The Subcommittee will now come to order.

There is a reason so much of our recovery effort has focused on small business. It is simple reality—jobs. Entrepreneurs generate between 60 and 80 percent of all new positions, and are the most effective driver of economic growth.

At a time when big businesses are slashing their workforce, we need to invest in businesses that are creating jobs, not cutting them. Entrepreneurial development programs, or ED, do just that. From small business training networks to veterans' initiatives, ED programs have helped countless entrepreneurs get off the ground. In fact, startups that receive this kind of assistance are twice as likely to succeed.

It is just common sense. For new entrepreneurs, starting and running businesses is a heavy lift. This is particularly true during a recession. In 2008 alone, ED programs pumped \$7.2 billion into the communities across this country. They also laid the groundwork for 73,000 new jobs. With unemployment at its highest point in 25 years, we could use that kind of job creation now.

The seven bills that we are examining today will help those efforts. This morning we will discuss legislation on modernizing the ED programs. These initiatives will help small business owners survive the recession and spark a recovery. Last year the SBA enacted a handful of new ED provisions, but outside of that the program has changed very little since 1999. Since then, the economic landscape has changed considerably.

We are now facing a crippling recession and historic small business declines. In the coming year, the ED initiatives are going to have to adapt. As a part of this process, many programs will have to be streamlined and revitalized.

It is no secret that the last year has been tough on small business owners. Entrepreneurs need all of the tools that they can get

to pave a path back to prosperity. Investing in ED goes a long way to helping entrepreneurs, and the benefits don't stop at small business communities. Every dollar spent on these initiatives drives another \$2.87 back into the economy.

Those small business dollars are the kind of capital that we need to turn things around, especially in rural and underserved communities. But regardless of where they live, entrepreneurs everywhere have the ability to restart our economy. With a new emphasis on small business resources, they can help bring our country back on track.

I would like to thank all of the Committee staff for their hard work on this legislation, as well as all my colleagues have done to support this legislation.

With that, I will yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Good morning, and thank you, Mr. Chairman, for holding a hearing on strengthening the Small Business Administration's portfolio of entrepreneurial and technical assistance programs. At a time when small businesses are struggling to stay afloat, we must work to be ever vigilant in improving the efficiency of these initiatives.

Rather than relying so heavily on the government to spend our way out of this recession, we need to focus on ensuring our small businesses-- truly the engines of job creation --are able to adequately utilize all of the resources readily available. As a small businessman myself, I am pleased to introduce a bill that will assist my many fellow small business owners and employees throughout my district in Missouri, and all throughout the country.

Two out of every three jobs created in the U.S. are created by a small business. And like every recession before, small business will lead the way to economic growth through determination and innovation. Yesterday I introduced a bill--the Expanding Entrepreneurship Act of 2009--that would make several changes to SBA's entrepreneurial development programs.

The bill aims to expand entrepreneurial job growth by pulling resources for duplicative government programs into a streamlined and effective program to help emphasize job creation and retention. Specifically, this bill requires the SBA to develop a job creation strategy for 2009/2010, including the agency's intent toward using existing programs to create and retain jobs throughout the United States.

The SBA Administrator would collect measures related to the program performance and job creation, ensuring that existing programs are being used effectively and duplicative government programs are done away with. And to ensure easy access for entrepreneurs, a database of providers of entrepreneurial development services would be established. To be sure, the House Small Business Committee and this Subcommittee recognize how critical small business is to the economic health of this country.

The Office of Entrepreneurial Development at SBA assists entrepreneurs with practical and technical skills needed to start and help grow their businesses. The office carries out this mission through a network of educational resource partners, including Small Business Development Centers, Women's Business Centers,

the Service Corps of Retired Executives, and the Small Business Training Network.

Additionally, programs run by the Office of Native American Affairs and the Office of Veterans Business Development work to bolster entrepreneurship in the Native American and veterans communities.

I am interested in hearing more about the current state of entrepreneurial development programs at the SBA in today's economic climate. I look forward to examining other pieces of legislation my colleagues have introduced aimed at improving the entrepreneurial development programs at SBA.

And with that, I yield back, Mr. Chairman.

Chairman SHULER. Thank you, sir.

I yield to Mr. Schock for introducing our first witness. And if our first witness would read their testimony, and then we will break for votes, and then we will come right back. So at this time I will yield to Mr. Schock for introduction of our next witness.

Mr. SCHOCK. Thank you, Mr. Chairman. I am pleased to introduce to you Mr. Ken Klotz from my district in Peoria, Illinois. Mr. Klotz is the director of the small business development center at Bradley University. Ken was recognized recently as the Illinois State Star at the annual conference of the Association of Small Business Development Centers.

This award was presented to Ken for his outstanding service as an SBDC director, his commitment to serving Illinois' small businesses, and his tremendous support of the Illinois entrepreneurship network and the Illinois SBDC. He has been with Bradley University's SBDC for over 10 years.

Ken has assisted more than 200 individuals and business owners in the preparation of their business plans, resulting in the start up of 143 new businesses in the Peoria area.

Thank you.

#### **STATEMENT OF KEN KLOTZ**

Mr. KLOTZ. Thank you, Mr. Chairman, and all the members of the panel. And a special thanks to my Congressman, Aaron Schock, for inviting me today.

SBDC clients come in all flavors, from the individual who wishes to start a business to the company that has been in business for generations. Our services run from the very basic to the very complex, from guiding people through the startup steps necessary to launch a business correctly to helping a company owner diagnose cashflow difficulties and bottlenecks. All of our clients need advice on business plans, marketing, HR issues, and a whole host of other issues.

With the situation we are faced with today, I know government resources are stretched painfully thin. So it becomes incumbent upon government to fund those programs that have proven to provide a reliable, measurable, and even a predictable return on investment of taxpayer dollars. The SBDC program historically has met that standard above and beyond, every year producing a positive return on investment for the taxpayer dollar.

And that is just not my opinion; it is backed up by data. Every year our nationwide association, the Association of Small Business

Development Centers, commissions a study of ROI of the SBDC program. This past year Dr. James Chrisman, a professor at Mississippi State University, provided that research for us and found that for every one dollar of taxpayer investment in the program, there is a return of \$2.87. And that has been reliably proven year after year after year.

For calendar year 2008, the type of economic impact produced by the SBDC program has been dramatic. Just a few examples for you—80,000 new jobs created by clients assisted by SBDCs, more than 95,000 existing jobs saved in an environment where we are losing jobs daily, and more than 13,000 new businesses launched nationwide.

Since January of 2009, my center, as well as other SBDCs around the country, have experienced a huge increase in demand for their services. I have attributed that increase, at least at my center, to job losses, some early retirement buyouts, and then, most distressingly, an increase in the number of small businesses that are facing financial difficulties.

The SBDC program and its subcenters really are already stretched very thin in terms of their resources. So handling this influx of additional clients is very difficult to deal with without additional funding resources. So I wholeheartedly support this legislation.

Job losses, it is no surprise, is at an epidemic proportion today. And I know we see a lot of national media about large companies losing workers and proposed loss of jobs at the Big 3 automakers, but for me and where I live every day, it is small businesses that have experienced the job loss.

The payroll processing giant ADP, recently just completed a study for the January to February 2009 time period, and they found that 697,000 jobs were lost in the country, but a staggering 82.6 percent of those were among companies with fewer than 500 workers. We need to stop that now, and SBDCs are uniquely situated to provide the type of assistance that will allow business owners to squeeze more dollars out of their balance sheet to stem the tide of job losses.

For me, the real impact of our services is in the client success stories, and I wanted to take a brief moment to share one with you today, my client Valerie Lilley and her company, Sofi's Stitches. In 2001, Valerie started this business from her kitchen table with a sewing machine borrowed from her grandmother, and what she would do is sew authentic replicas of Medieval era clothing. When she had enough of it, she would load it in her van, drive to a Renaissance Fair in some state, sit in the parking lot and sell her garments, and then drive back home.

But she really wanted to grow her business; that was her dream. So after dozens of meetings with her, on everything from business plans to growth strategies to financial management, by 2007 she had reached—she had grown her company to employ 12 people, and she crossed the \$1 million mark in sales annually. She had a vibrant catalog and web sales arm to her business, and she owned Renaissance Fair booths in 14 states. No more parking lots for her.

Now, if the story stopped there, it would be a great story. But it doesn't stop there. Early in 2008, a custom men's suit manufac-

turer closed, putting 80 people out of work without any notice whatsoever. I recall a conversation Valerie and I had where she was looking for a complementary arm or product, and so I suggested that she purchase the assets, which she did. She started back—started up the business again, hiring back 20 of the displaced workers, and now is on the cusp of hiring 80 more within the next six months when she lands a U.S. Army contract.

That is the face of small business development centers, and I certainly urge the initiatives put forth by this Committee today.

Thank you very much.

[The statement of Mr. Klotz is included in the appendix at page 33.]

Chairman SHULER. Thank you, sir. Thank you for your testimony.

At this time, I would like to yield to my good friend Mr. Buchanan for introduction of the next witness. We will go ahead and do that and the witness will give her testimony.

Mr. BUCHANAN. Thank you, Mr. Chairman. It is my pleasure to introduce one of my constituents from my area. Janette Mills is chairwoman of the Manasota SCORE chapter in our Congressional District 13 in Florida. And SCORE has, as many people know or might not know, 389 chapters in the country, 10,500 volunteers, and her SCORE chapter that she oversees has about 50 volunteer consultants that assist up-and-coming entrepreneurs by mentoring them on a wide range of business issues.

I know as chairman of the Florida Chamber four years ago we represented 137,000 businesses. Many of them were—95 percent of them were small businesses of 50 or 30 employees or less. And one of the things that was interesting in talking to Ms. Mills was the idea of how they help in business planning, and I know business planning is one of the big keys to success.

She also is an entrepreneur in her own right. She has a commercial window cleaning business that serves Sarasota, Manatee Counties, in my district. I am thrilled to have her today and looking forward to her testimony.

Thank you.

#### **STATEMENT OF JANETTE WATLING-MILLS**

Ms. WATLING- MILLS. Chairman Shuler, Ranking Member Luetkemeyer, and Committee members, my name is Janette Watling-Mills. I am chapter chair of Manasota SCORE in Sarasota, Florida. Thank you for this opportunity to testify.

I am here to represent SCORE and the 11,200 SCORE volunteer counselors who donate their time and expertise to serve America's entrepreneurs. As you know, SCORE volunteers are working or retired business owners, corporate executives, teachers, civil servants, and military leaders who share their wisdom and lessons learned during their careers.

I am a born entrepreneur, having started my first business making and selling seashell earrings at age 8. My background and education are in interior design. In addition to my role as chapter chair, I own a commercial window cleaning company serving Sarasota and Manatee Counties in Florida. I have also owned several other successful small businesses.

Like most of my SCORE colleagues, I am active in other volunteer organizations and in my community. I joined SCORE in 2007 and became chapter chair in 2008. SCORE offers free business counseling and low-cost workshops. Since its founding in 1964, SCORE has helped more than eight million businesses. Our volunteers donated more than 1.3 million hours of service last year.

By helping small businesses both start up and make it through the recession, SCORE helps in creating jobs and saving jobs. Today SCORE has 370 offices across the country, plus 800 branches. Last year, SCORE volunteers helped more than 357,000 entrepreneurs.

My SCORE volunteer team in Sarasota includes 53 dedicated men and women who provide SCORE services locally. In the last five years, more than 2,500 clients received personalized service for starting their businesses. More than 1,000 clients who owned existing businesses sought our help, and more than 1,100 individuals attended one of our workshops. In all, Manasota's SCORE volunteers donated more than 22,000 hours of service.

Nationally, SCORE offers free information resources online. Last year more than 2.8 million people visited [www.score.org](http://www.score.org). SCORE offers resources specifically for women, minorities, young entrepreneurs, babyboomers, and veterans. More than half of our clients and 25 percent of our volunteers are women and minorities. SCORE fulfills a vital role for America's small businesses by providing much-needed technical assistance.

Many small businesses continue to struggle with layoffs, access to capital, cashflow, and management issues. SCORE has a proven track record of both creating and saving jobs by improving small business survival rates and accelerating small business formation.

Research shows that small businesses are five times more likely to start if they get assistance from a government-supported program like SCORE. SCORE mentors themselves have faced economic opportunities and difficult times. They know how important it is to make a payroll, repay a line of credit, anticipate a down economy, and, most importantly, what to do next.

All of us at SCORE want to help small businesses hire more people and keep current employees working and their jobs safe. To achieve these goals, SCORE continues to rely on the federal grant for operational funds to support our infrastructure needs, public outreach, and volunteer recruiting and training.

In a difficult budget year, we appreciate the Committee's support of SCORE and the budget authorization of \$7 million in 2010 and 2011. Given the economic challenges our country currently faces, an additional investment in SCORE would allow us to serve more businesses and individuals that are struggling or have lost jobs due to layoffs or business failure.

We request that the Committee consider authorizing SCORE at \$10 million in 2010 and 2011. Additional funding will allow us to implement our modernization plan, including updating our website, improving service quality through training and certification of volunteers, and developing a new service model to guide our clients through the many resources offered by SCORE.

Chairman Shuler, Ranking Member Luetkemeyer, and Committee members, every entrepreneur SCORE helps is a company,

a job, and a contributor to the economy. Every small business matters, and SCORE mentors make a difference.

We appreciate the support of this Committee and your personal support of SCORE. I would be pleased to answer any questions you may have, and thank you again for this opportunity to testify.

[The statement of Ms. Watling-Mills is included in the appendix at page 38.]

Chairman SHULER. Thank you so much.

At this time, we will be in recess until after votes.

[Recess.]

Chairman SHULER. I would like to call this hearing back to order.

I would like to thank both the members and our witnesses for their patience during our vote.

At this point in time, I would like to yield to Mr. Thompson for the introduction of our next witness. Our next witness will have five minutes.

Mr. THOMPSON. Well, Mr. Chairman, Ranking Member, thank you for holding this hearing today to focus on entrepreneurial development programs that will strengthen the Small Business Administration's capacity to continue to spur economic growth in hard-to-reach and underserved areas.

For many entrepreneurs in my district, in order to access resources provided by the SBA and the small business development centers, they have to drive long distances through often harsh Pennsylvania winters. In my rural district, we have learned to use our limited resources wisely. A person who knows how to use those limited resources is Ms. Donna Kilhoffer, who I am happy to have here today.

Donna is a lifelong resident of Ridgway, Pennsylvania, and since 1990 Donna has been the program manager for the Community Education Council of Elk and Cameron Counties, which provides affordable academic and professional development by partnering with institutions of higher learning, such as the University of Pittsburgh, Clarion University, Lock Haven University, and, my alma mater, Penn State University, along with the countless additional partnerships with regional businesses and industry.

Donna has worked in the past with the North Central Regional Planning and Development Commission and is a member of the Elk County Women's Association, and I welcome Donna today to speak on behalf of the Committee's proposals, including my bill, H.R. 1807, a bill to provide distance learning to potential and existing entrepreneurs that was introduced on Tuesday of this week.

And with that, I look forward to Donna's testimony to address the needs and the goals of cooperatives such as the Community Education Council and how the SBA can create further access for our rural neighbors.

Donna, welcome.

#### **STATEMENT OF DONNA KILHOFFER**

Ms. KILHOFFER. Thank you, Congressman Thompson.

Chairman Shuler, Ranking Member Luetkemeyer, it is my pleasure to be here. As defined by the Pennsylvania Department of Education, the community education councils are nonprofit organiza-

tions that will bring higher education opportunities to rural and educationally underserved communities.

The community education councils serve as a vehicle for employment opportunities which meet the community's current and future economic development needs. The Community Education Council of Elk and Cameron Counties was formed in 1992 to fill the educational void in those two counties.

As the economic situation in our area has changed and we have grown, we have taken on many different situations and projects that could be described as support services or auxiliary educational services. The facilitation of financial and entrepreneurial education in our area is one such service. It is our role as a post-secondary facilitator to find the most appropriate and cost effective way to bring training and education to Elk and Cameron Counties.

The CEC is available to partner with and facilitate new programs, classes, training opportunities, that are pertinent to the economic growth and a prepared workforce for our region. We are flexible, and we look at any means possible for the presentation of those programs. Distance technology has been a platform for providing education, training, seminars and workshops on a variety of levels and a variety of topics. Not only credit courses, but continuing education units for various fields such as financial and legal entities and child care developers are all means of obtaining information through our facility.

Our local high schools use distance technology for dual enrollment and advanced placement courses. Our local hospital uses distance technology in the area of telemedicine and rural health and home care. Our county itself and Cameron County are situated in north central Pennsylvania; north of Interstate 80, 75 miles south of the New York State border. We are in the heart of the Allegheny National Forest at the center of the Pennsylvania Wilds Initiative, just south of the Route 6 corridor and the hub of the Lumber Heritage Initiative.

We have just under 50,000 residents. We have approximately 12 percent unemployment rate in Elk County and 15 percent unemployment rate in Cameron County. We are looking, in our future, to use the tourist trade and the natural resources of the Allegheny National Forest, the Clarion River, and the assets of the Pennsylvania wilds in our ability to rethink, retool, and rebuild our economic base.

With the growth of tourism as an economic base, we will have many small businesses that will be centered on that trade. We will need to grow new entrepreneurs and new entrepreneurial ventures. What I would like to do is introduce you, through my testimony, to a couple of the residents of our communities.

Doug is the founder and owner of a small powdered metal business that employs under 20 individuals. He received his MBA from Penn State University by attending classes through interactive television at the CEC. Now Doug needs to be aware of the new legislative initiatives and the new OSHA requirements regarding taxes, the new insurance regulations, all kinds of things. An association with the Small Business Administration and the CEC that provides information such as this through distance technology would benefit him greatly.

Nate, an Elk County native, graduate of the local high school, is a young man in his early twenties with a dream of running a canoe livery along the Clarion River. Nate has been canoeing the river since he was a toddler. He has knowledge of the local area. He has the desire to put in the long hours and the hard work that running a small business would require.

What Nate does not have is the knowledge needed to get started. He needs to know how to write a business plan. He needs marketing data. He needs marketing opportunities. He needs access to information and experts relating to the legal, tax, and financial issues he will encounter.

One other young man in our community, Kurt, is a family man who, in the mid-'90s when the local brake producing company shut down, was forced to find a new means of supporting his wife and young child. Kurt turned to his love for fishing, something that fits very well into our tourist-type, recreational area.

Kurt started a fishing guide business. Now Kurt uses the small business development center as a resource for anything that is happening that could relate to his business.

The most telling would be Angela. Angela sent me this e-mail last week. "The purpose of this e-mail is to obtain information regarding upcoming courses that will inform us and other small business owners on a small business tax. Second, a course for small business financing and insurance information would help."

"So what I am saying is that I am looking for any school in the surrounding area that is offering courses pertaining to this subject. We are willing to travel to Bradford, DuBois, Ridgway, Clearfield, Clarion, if needed, but of course we would prefer to keep it local."

I am still looking for a course for Angela. I am sure the Small Business Administration has something that could help.

The entrepreneurial spirit is alive and well in our area. The resources of the Small Business Administration, married with distance education technology, appears to be one of the most logical, timely, and cost-effective ways to bridge the gap that would allow the CEC to have answers for Angela and the questions she has posed, as well as allow Nate to fulfill his dream and open his canoe livery.

It would appear to me that the legislative initiatives presented, in particular H.R. 1807 regarding entrepreneurial development, would be a win-win situation for all involved.

Thank you.

[The statement of Ms. Kilhoffer is included in the appendix at page 49.]

Chairman SHULER. Thank you.

At this time, I would like to yield to the gentlewoman from Oklahoma to both give her introduction to our next witness, and also to introduce her bill.

Ms. FALLIN. Thank you, Mr. Chairman. I appreciate that, and I want to thank all of our panelists for being here today to enlighten us on your areas of expertise. We appreciate your time.

And I want to thank you, Mr. Chairman, for having this, and our Ranking Member for having this hearing today. I would like to elaborate for a few moments on H.R. 1838, the SBA Women's Busi-

ness Centers Improvement Act, which is going to be discussed by Dr. Rackley's testimony in just a few moments.

The women's business centers are an important part of our grant programs that are funded by the Small Business Administration, and today women's business centers all across the country are providing women entrepreneurs with much-needed technical assistance in starting and operating their small businesses.

In the mid-1990s, the federal government began awarding grants to women business centers that were operating as nonprofit organizations in conjunction with institutions of higher learning. Originally, these grants were intended to be awarded to small business centers in their first five years, with the understanding that after the five-year period had ended the center would be financially self-sustaining.

Although many of the women's business centers did meet this goal, some actually have not, and for a variety of reasons. And, as a result, a greater percentage of the funding of this program has actually been consumed by operating costs, potentially at viable centers rather than the intended purpose of establishing the new business centers.

The result is a drag on the system, and viable business centers that are not truly serving an unmet need in their communities. And this jeopardizes the effectiveness and the viability of the entire program.

So the SBA Women's Business Programs Act of 2009 restores the original priorities held by the Federal Government when this program was created, and it will offer a three-tiered system of funding and lower caps on spending for older business centers. And with that, we can ensure a balanced percentage of the funding is used to support both the new and the existing business centers.

And so, Mr. Chairman, we have prepared that bill and have filed it, and we are looking forward to having the testimony on it today.

And I have a great pleasure of introducing Dr. Barbara Rackley, who is here from my home State. And we are glad to have you here, and Margo is here, too, from Oklahoma. Good to see you, too. Glad to have you here.

Dr. Rackley serves as the coordinator of the REI's Women's Business Center in Durant, Oklahoma. After spending 21 years as an educator, Dr. Rackley has led Oklahoma's REI women's business centers and has helped over 10,000 women entrepreneurs through training and professional development.

Dr. Rackley holds a degree in home economics from Oklahoma State University, which is my alma mater, and Southeastern Oklahoma State University, and a Ph.D. from Oklahoma State University also. She is currently very active in local organizations and advisory boards for the women's center at the Medical Center at Southeastern Oklahoma and the small business management program at Kiamichi Technology Center.

She was actually named the SBA Woman of the Year and the Business Champion of the Year in 2004. So, Dr. Rackley, we are very proud to have you here today representing our state, and we welcome your testimony.

**STATEMENT OF BARBARA RACKLEY**

Ms. RACKLEY. Thank you, Congresswoman Fallin.

Mr. Chairman, distinguished members of the Rural Development, Entrepreneurship and Trade Subcommittee. I am Dr. Barbara Rackley, coordinator of the Women's Business Center of Rural Enterprises of Oklahoma. I appreciate your invitation to appear before you to discuss H.R. 1838, the Small Business Administration's Women's Business Programs Act of 2009, sponsored by Congresswoman Mary Fallin of Oklahoma.

On behalf of REI, I am pleased to offer positive insight on important legislation to reauthorize the women's entrepreneurial development programs of the SBA.

REI is a statewide nonprofit economic development organization that has assisted Oklahoma businesses and communities for more than 25 years. We partner with state and local governments and local communities to create jobs and promote economic growth across Oklahoma. One of our most successful initiatives is the women's business center, which provides training and professional development services for women entrepreneurs.

The services of our women's business center are available from two locations, Durant and Oklahoma City. The mission of our center is to assist Oklahoma's enterprising women who want to start a business or expand an existing one. To date, we have assisted over 10,000 women to help them reach business ownership goals. It is safe to say that we would not be in a position to provide these essential services without the support and partnership of SBA's Office of Women Business Ownership.

Our center was first funded in 2001 to serve the southeastern quadrant of Oklahoma. At that time, two other centers in Oklahoma City were active but failed to complete their initial five-year contract. This illustrates the importance of establishing the centers within an organization such as REI. Our Board of Directors views the WBC as an integral part of our organization, and state funding is secured for our matching funds.

At the end of the first five years, REI applied for another contract to extend services statewide so that entrepreneurs across Oklahoma would have access to all resources offered by our WBC. REI was successful in securing such an additional contract, and ultimately opened its second center in Oklahoma City.

I would like to share some real-life stories with you. We always talk numbers, but for a few minutes please indulge me to talk about some of our wonderful women we have in Oklahoma, and how we have been able to assist them in their businesses.

We call one of our clients the "fudge lady" because she makes the best fudge ever tested. Her fudge must be purchased online, because she is located in Battiest, Oklahoma, in the middle of the Ouachita mountain range. It is almost on the Oklahoma-Arkansas border, and you must know exactly how to get there to be able to find her.

When she first contacted us, she was already making fudge, but she did not have a commercial kitchen. We were able to help direct her to the proper resources to help her correctly establish a food business.

Her husband built a commercial kitchen next to their house, and she attended our e-commerce class to learn more about doing business online. Now her business is established, she operates by all of the standard health codes, and she ships her fudge to anyone who shops online.

Another client started her company at her kitchen table as an independent software sales rep. She partnered her company with other major publishers to provide research-based software to schools in southeastern Oklahoma. At the time the women's business center was opening, she was moving into one of our business incubators. She and her staff always take advantage of programs offered by the WBC. With an expanded staff for research and development, her first software program took shape in 2006. Now, three years later, over 10,000 students in four states use this program every day.

When she started, she had one employee. Now she has 17 sales reps working in five states. Tonight, at the Durant Area Chamber of Commerce banquet, this incredible lady's company will be recognized as the Small Business of the Year.

Training workshops and networking opportunities are held in locations convenient to the women entrepreneurs, saving them both time and money. Some of our business owners are beginning to feel the impact of the economic downturn. Although they need training, they will not have the extra money to pay for training workshops away from home.

That puts even more value on the services of our women's business center. The majority of our training workshops are absolutely free, with an occasional minimal charge. These include small business basics, marketing, financing, business plan development, doing business with the government, and e-commerce.

One of the concerns being voiced by business owners and by lenders was the lack of accurate record keeping. We listened, took action and started teaching Quickbooks classes. This training is provided for about one-third the cost of other Quickbook training classes.

The ladies we talked about, and everyone who attends our training workshops and networking events, are the reasons we need continued funding for women's business centers. Many are starting businesses with limited funds or sizeable loans. They don't have the extra resources to pay for consultants to assist in developing a business plan, developing a marketing strategy, or getting information for building a website.

There is not a greater return on investment than seeing an entrepreneur start a business, develop it, expand it, create jobs, and ultimately celebrate success. When they succeed, we all succeed.

For the past eight years, I have been privileged to have a job that can be both fun and challenging, but the greatest reward is meeting Oklahoma's enterprising women.

Thank you for the opportunity to speak on behalf of women's business centers.

[The statement of Ms. Rackley is included in the appendix at page 52.]

Chairman SHULER. Thank you, Dr. Rackley. It sounds like we need to get the lady who makes the fudge to—we probably need to sample some of that.

[Laughter.]

Ms. Fallin, I know that is from your district. That is—

Ms. RACKLEY. I can give you her—

Chairman SHULER. We can get the website address.

Ms. RACKLEY. I can give you the website.

[Laughter.]

Chairman SHULER. Very good.

Ms. RACKLEY. And she would love to ship it to D.C.

Chairman SHULER. Absolutely.

I would like to yield back to Ms. Fallin to introduce our next witness.

Ms. FALLIN. Thank you, Mr. Chairman, and I know how small of a town Battiest is. I can't remember exactly, but it is a couple hundred probably—

Ms. RACKLEY. Not many.

Ms. FALLIN. —people. So that is—it is a remote, rural area, so we are very proud of that lady.

Well, I am very pleased today to have two Oklahomans that are on our panel, and the next lady—I actually know both of these ladies, but I have worked with Margo on past boards and commissions when I was in the State as Lieutenant Governor. So thanks for coming up here today.

Ms. Gray-Proctor is the chairwoman of the National Center for American Indian Enterprise Development. The center is the first national organization that is solely dedicated to developing American Indian economic self-sufficiency through business ownership.

Ms. Gray-Proctor is also the owner of the Horizon Engineering Service Company and has received many entrepreneurial awards in her own right, including an award for her operation of the State Business of the Year from the American Indian Chamber of Commerce in Oklahoma.

So we are glad to have you here today, and we welcome your expertise.

#### **STATEMENT OF MARGO GRAY- PROCTOR**

Ms. GRAY-PROCTOR. Thank you. Chairman Shuler and Ranking Member Luetkemeyer, I am Margo Gray-Proctor of Tulsa, Oklahoma. I am a tribal member of the Osage Nation, President of the Horizon Companies and a third-generation entrepreneur.

My small business provides engineering and other services to federal, state, tribal, and local governments, and private sector customers. I was recently elected Chairman of the Board of Directors for the National Center for American Indian Enterprise Development. This year we celebrated our 40th anniversary of servicing Indian country.

The National Center is pleased to testify on the new Native American Business Development Enhancement Act of 2009, H.R. 1834. Here are our thoughts on this new proposal. First, we are delighted that H.R. 1834 would authorize the SBA's Office of Native American Affairs with \$2 million annually, and install an Associate

Administrator so that this office can continue to do outreach efforts and oversee a new grant program proposed.

We recommend that this office also coordinate Native American participation in SBA's 8(a) program, generally, and specifically the SBA's ongoing 8(a) reform agenda to improve the accountability, transparency, efficiencies, and success of the 8(a) program as it applies to Alaska Native and tribal enterprises, in their joint venture and other partnering arrangements.

The new Associate Administrator should also work with other SBA divisions to improve the access of tribes, Alaska Native corporations, and other Native entrepreneurs to procurement assistance, small business loans, innovative research support, and other SBA programs.

Second, the National Center and the other national Native organizations support substantial funding increases for existing programs that have a proven track record of effectively targeting business management, financial assistance, and procurement technical assistance to tribes, Alaska Native corporations, and enterprises owned by them and Native entrepreneurs.

We support Section 2 of H.R. 1834 and applaud the sponsor's recent decision to increase the authorization to \$15 million for FY2010, and \$17 million for FY2011, for a new program of grants to entities designated for funding.

We like the flexibility in designating entities for grant support as long as existing NABECs, AIPTACs, and Native CDFIs qualify for designation. If grant funding is made available before SBA finalizes new regulations to designate future grant recipients, we recommend that the Associate Administrator distribute those grant funds pro rated to existing Native business and procurement assistance centers.

Section 3 of H.R. 1834 would authorize \$7 million in each of the fiscal years, 2010 and 2011, for additional grants for which only existing SBDCs would be eligible if they operate in states with a Native American population of at least one percent. So SBDCs in 15 states would qualify.

Ultimately, we would like to see more partnering between the SBDCs, the NABECs, and AIPTACs, to cross-fertilize their respective capabilities and training. Therefore, we think it would make sense to require or encourage an eligible SBDC to partner with the NABEC or AIPTAC, in applying for a grant under Section 3.

The National Center speaks from experience. We are the longest-serving Native business development assistance provider in the United States. The National Center has evolved into a national organization with nonprofit business and procurement technical assistance centers nationwide that support our mission—to develop the American Indian private sector as a means to help our native communities become self-sufficient.

Our Board of Directors consists of tribal business and political leaders who have always played a pivotal role in spurring small business growth and breaking down barriers impeding Native companies' success. The National Center operates three NABECs, and several offices function as American Indian Procurement Technical Assistance Centers.

All our offices are staffed primarily by Native American business and procurement consultants with experience and training to deal with business challenges unique to Indian country, as noted in my written statement.

We have a great track record of having assisted 80 percent of the tribes in the lower 48 states and more than 25,000 native enterprises and trained over 10,000 tribal members. Over the last four years alone, the National Center has helped its clients capture \$2.5 billion in contract awards and financing, translating to over 50,000 jobs.

The National Center was the first Indian business enterprise funded by the Minority Business Development Agency after it was created in 1971. The MBDA now funds 30 minority business centers nationwide and has supported eight NABECs until last year.

Now there are only six NABECs, and we operate three of them in Arizona, California, and Washington State. There used to be NABECs in Minnesota and North Carolina.

Mr. Chairman, the first North Carolina NABEC was operated by the Eastern Band of Cherokees, but the funding was very low and they did not seek renewal when MBDA re-advertised it. The National Center bid to operate the NABEC, and we won, but we soon realized why the Eastern Band lost interest.

You see, under the Bush Administration, MBDA instituted a strategic growth initiative and directed its centers to help larger companies that were capable of winning larger contracts and business financing, presumably so that there would be more bang for the federal buck invested in its centers. This approach can work in more urban areas, but it is unrealistic for rural areas where mostly small businesses operate in Indian country.

We hope that MBDA goes back to the drawing board and decides to open another NABEC in its Southeast Region soon. Native American business development was flatlined during the Bush administration, and so we are looking at more additional millions to support the minority centers.

By comparison, the SBA has received substantial increases in recent years for its small business development centers. This funding disparity is what prompted the National Center to make the case for the need to elevate Native American business development issues within the Commerce Department and at the SBA.

At our RES conference this year, we had over 25,000 individuals, 320 exhibitors, for two days of business workshops, a day-long procurement pavilion with hundreds of bid-matching meetings. Several national Native organizations recommended that Congress: one, authorize and adequately fund SBA's Office of Native American Affairs, and, two, provide substantially more funding for business assistance centers devoted specifically to the business development needs of Indian country.

We are delighted that Congress is responding so quickly. In closing, I want to thank the Subcommittee for inviting the views of the National Center as the longest-serving small business assistance provider with the broadest reach in Indian country. We look forward to working with you and your staff on this important Native American entrepreneurial development proposal as it proceeds through the legislative process.

[The statement of Ms. Gray-Proctor is included in the appendix at page 56.]

Chairman SHULER. Thank you for your testimony. As you can see, my gavel actually is from—

[Laughter.]

Our next witness is Louis Celli, founder and CEO of the Northeast Veterans Business Resource Center in Boston, which trains veterans to strengthen and grow small businesses.

Mr. Celli, you will be recognized for five minutes.

#### STATEMENT OF LOUIS CELLI

Mr. CELLI. Thank you, Chairman Shuler, Ranking Member Luetkemeyer, and members of this Committee. Thank you for the opportunity to present my views on the SBA and their entrepreneurship development programs as it applies to the veteran community.

As CEO of the Northeast Veterans Business Resource Center, I have been able to gather data, case histories, and research important to veterans' entrepreneurship. Our network of veteran business owners, state, federal, and community-based leaders totals more than 12,000 stakeholders that we maintain contact with on an annual basis. My testimony today is a reflection of this work as I represent this community.

The United States has brought freedom to more people than any other country in history. That freedom was bought and paid for with the sacrifices of our veterans. In his book *The American Patriots Almanac*, William J. Bennett describes patriotism in this way. "Patriotism brings an obligation. It involves actions, not just feelings. Occasionally, being a patriot means putting national interests before self. Here is when patriotism can be a hard virtue to live up to: when it involves sacrifice."

The signers of the Declaration of Independence, for example, put their fortunes, their safety, and their sacred honor on the line for something greater than themselves.

September 11 reminds us that there will always be tyrants, madmen, and bullies who hate American ideal. And President Harry Truman once said, "Freedom calls for courage and endurance, not only in soldiers but in every man and woman who is free and determined to remain free."

We ask the patriots of this Committee, our Congress, and our government to make the hard choices necessary to support, defend, and enable our nation of veterans and their families who, according to the U.S. Census Bureau, represent more than 10 percent of the total U.S. population.

In 1945 and '46, millions of Americans took off their uniforms after World War II and came home to a job market that was shrinking because the war no longer provided economic stimuli. In 1953, the Small Business Act created the Small Business Administration. The Act was created to encourage and promote small business growth and free competition, but, still, large firms which grew powerful as a result of war production had a tremendous advantage over smaller startup companies, and the SBA was supposed to help level that playing field.

While small businesses collectively represent 97 percent of all employers, and are responsible for the majority of all corporate tax deposits, we are still just a community of individuals. Big businesses have an unequal ability to immediately influence opinion, whether legislatively, through public advertising, or private investment in the political process.

To give you an idea of just how unbalanced this divide really is, when we talk about small businesses we think about micro enterprises—the local landscaper, barber, hardware store. But what many Americans don't realize is that by federal standards a business is small if they have less than 500 employees, and in some industries it can be as high as 1,500.

Where does the voice of the micro enterprise or startup venture fit in? More often than not, it doesn't. Despite all of the programs and money dedicated for entrepreneurial outreach and development, veterans have consistently remained the most historically under-maximized and overlooked socioeconomic group by SBA. Veteran entrepreneurship programs only started receiving funding in 1999, and have lost federal appropriations every year since. In 2009, the appropriations gave us a total of \$1.2 million to fund a national network of veterans business center programs, which is down from \$2.1 million the year prior.

The SBA Office of Veterans Business Development, which is responsible for supporting five business outreach centers, received less than \$750,000 for the fifth year in a row to support these centers.

Veterans face a unique set of challenges when starting or growing small businesses or micro enterprises. Due to the multiple transfers and relocations that occur during a military enlistment, veterans commonly leave the military as renters, never really having the opportunity to purchase a home. Since most new ventures are financed based on personal credit backed by assets, veterans face a major disadvantage trying to start a new business.

Military members commonly live in military communities. Their interaction with the civilian economy is usually reduced to consumer spending. They don't have the opportunity to network or acquire industry-specific skills, knowledge, or experience that might be leveraged when starting a new business. Guard and Reserve members, as you well know, are always subject to extended and multiple deployments, which can render any business of nearly any size bankrupt and destitute.

Military members are trained with a can't fail/ won't fail attitude, and often have a false sense of security regarding the level of assistance available as they depart the active military support system. While considering post-military operations, veterans are told that there are entrepreneurial programs and business financial assistance programs out there to assist them once they leave the military. We mistakenly believe this to be true.

I also would like to share a story. Two friends graduate the same class of 2001. Both have similar grades, both are from minority descent, one goes to a trade school for heating and air conditioning, and the other one joins the military, trained in heating and air conditioning, and deploys to Iraq.

The first guy who went to trade school works as an apprentice for four years, starts a small business. That business then is accepted into the 8(a) program, business development program, and by 2008 he is servicing multiple federal and state contracts.

His counterpart, in 2008, leaves the military, tries to start a business using SBA programs available for veterans, and after two years he is frustrated with marginal support, and the soldier ends up working for the other classmate as a technician, because his bills become so far behind that his credit has started to suffer.

We are not asking for anything out of the ordinary or special, just a fair and equitable allocation of resources and protections with which to grow, survive, and thrive in the nation that we took times out of our lives to defend. Every veteran in this room, every veteran in the United States, past, present, and future, signed over a blank check payable on demand to the United States of America for an amount up to and including my life.

The veterans who were never called upon to cash that check come before this Committee today and ask: will you support us now and invest in us as we continue to serve and strengthen this nation as corporate taxpayers?

I thank you for allowing me to be here with my comments today, and I welcome any questions that you may have.

[The statement of Mr. Celli is included in the appendix at page 68.]

Chairman SHULER. Mr. Celli, that was great testimony.

Mr. Klotz, how can the SBDC utilize new legislation to help small firms secure financing? That is typically the most difficult thing for small firms, small businesses, startups securing that initial financing.

Mr. KLOTZ. I think through harnessing the existing network of small business development center counselors that have already been in place doing very similar things with their clients, additional funding for those types of initiatives can only improve upon and expand what they offer.

I could see new micro lending programs perhaps starting. I know one of the gaps that I see in my own community are those who might have less-than-perfect credit, have great business skills, and an outstanding idea for a business, but just can't get through that banker's door. So maybe some sort of program like a second-chance financing program, something like that, would be very beneficial.

Chairman SHULER. Okay. Dr. Rackley, how do you think the rules for increasing transparency in the Women's Business Center Act will affect the WBC's ability to provide their services?

Ms. RACKLEY. We welcome the transparency. We think that will improve the ability for us to—and all women's business centers to be more transparent, to know more about what we should be doing, and for the local communities to know what we do.

Chairman SHULER. Mr. Celli, the Veterans Business Center Act shifts the veterans business outreach facility's administration by the Veterans Corporation to the SBA. Is this a better model for long-term stability for the centers or not?

Mr. CELLI. As one of the centers that was previously funded through the Veterans Corporation, we feel it is a much better model for a couple of different reasons. For one thing, it really

brings legitimacy to our program. It allows us to report our successes. We love to brag about what we do. We love to brag about our clients.

And in our experience with the Veterans Corporation, while it has been troubled getting funding out of them, in addition it has been even more of a struggle getting our successes processed through them and up to the people who have given them money, which is this Congress.

Chairman SHULER. Ms. Kilhoffer, how do you think the small businesses will respond to the online education and distance learning programs contained in the education of entrepreneurs through today's Technology Act?

Ms. KILHOFFER. The initial response would depend on their age. I would like to first state that. What we typically find, though, is that as opposed to traveling the distances involved to attend a small business development center or a seminar at a college or a university, they will choose distance training over the travel any time.

And so putting them together in a situation where they can take advantage of the training with a group, and have the advantage of multi-generational—you know, older/ younger together—the technology becomes less intimidating, and the benefit is there for gaining the knowledge.

Chairman SHULER. I am sure you get the assistance from some of the younger students in the class—

Ms. KILHOFFER. Right.

Chairman SHULER. —to assist the more senior members of the class.

Ms. KILHOFFER. That is very typical of what happens in our adult classes. Yes, sir.

Chairman SHULER. It is kind of amazing how for the young students, their whole lives depend upon the technology today. And I think the BlackBerrys run this Congress, so—

[Laughter.]

Ms. KILHOFFER. I have noticed that.

Chairman SHULER. We find ourselves constantly on the BlackBerry.

Ms. Watling-Mills, what is your opinion on the applications of benchmarks to the SCOREs program?

Ms. WATLING-MILLS. I really don't have an adequate answer to that.

Chairman SHULER. Okay.

Ms. WATLING-MILLS. I would have to research it and respond to you at a later date.

Chairman SHULER. Sure. No, that is perfectly fine—will the SCOREs legislation strengthen the network capabilities for local entrepreneurs?

Ms. WATLING-MILLS. Yes, very much so. I mean, that is where we shine in working one on one with local individuals and helping them, often with multiple SCORE counselors, with multiple expertise in whatever they need to get their businesses up and going, or, if they are existing businesses, to help them through these difficult economic times.

Chairman SHULER. Very good.

Ms. Gray-Proctor, you talked about the Eastern Band. Why do you think one of the most important—what do you think is the biggest factor for the Eastern Band basically not wanting to re-up in the program?

Ms. GRAY-PROCTOR. Well, you know, if you even take that one tribe and you add the other 540, you know, to get into the entrepreneurial, to where they can go and help, it takes adequate funding, no matter what we do. Like we said, we have nationwide over 540 different tribes. Alaska Native Corporations—I mean, Alaska Natives, Native Hawaiians.

So that is why we are asking for that increase in net funding, because if we don't have enough to do our job we are not able to provide the procurement. We, as Native Americans, wanted to help our Indian community. So we have the training, we are the experts in Indian business, so we—that is what we have there with the Eastern Band.

And, you know, so it is a difficult thing to do when you don't have enough funds.

Chairman SHULER. Sure.

Ms. GRAY-PROCTOR. And so in order to do it right and help your entrepreneurs, and help them with the procurement centers, and to go after government contracts, if we don't have enough money—and I think it is the same if—you know, with the women's, the veterans, the rural—we all share the same goal, is that we want to help the people in our communities that we represent.

Chairman SHULER. Absolutely.

Ms. GRAY-PROCTOR. And that is why we are here.

Chairman SHULER. At this time, I would like to yield to the Ranking Member for his series of questions.

Mr. LUETKEMEYER. Thank you, Mr. Chairman.

Ms. Watling-Mills, I have one of the larger SCORE chapters in the country, just outside my district. And, in fact, I have part of the county in my district, so I know the folks very well. And they are from the Camdenton, Missouri, area, and they have a very, very large SCORE chapter, and they are very active. I know all of those folks very well, but I—just now and for myself, everybody else on the Committee here, what are the qualifications, or how do you become certified to be a volunteer, to be able to do the work of a SCORE volunteer?

Ms. WATLING-MILLS. To become a SCORE volunteer, we have a training process currently that is called a five-step program that—the people who come to be SCORE volunteers are people who have great business backgrounds, great business knowledge, and we help them learn to be able to counsel and use that knowledge better.

One of the things, of course, we are hoping for is more funding, the same as everyone else is looking for, which would enable us to expand our training processes to make our—our very dedicated volunteers, to make them even better counselors, to—because, as I say, they have the business knowledge, it is helping them to understand the counseling process.

Mr. LUETKEMEYER. Just a follow up to that. What qualifies them as a business person that has the kind of knowledge you are looking for? I mean, is it somebody who has just been in business a

long time? Or is it somebody who has an educational background in business as well? Or somebody who has just been successful? Or, I mean, Joe the Plumber, is he somebody that could be in your program?

Ms. WATLING-MILLS. Yes. Because we have small businesses coming to us, as—if a plumber needs to start up a business, he can certainly use the expertise of someone who ran a successful plumbing business. So while in the past SCORE was made up very largely of executives, it is more and more people like myself who run small businesses, who have that hands-on day-to-day experience and can hopefully prevent or help startups by keeping them from making some of the mistakes that I made or that other small entrepreneurs made in their startup process.

Mr. LUETKEMEYER. That is quite an interesting statistic. You said five times more likely to succeed if they have been mentored by a SCORE volunteer?

Ms. WATLING-MILLS. Yes.

Mr. LUETKEMEYER. Wow.

Ms. WATLING-MILLS. Yes.

Mr. LUETKEMEYER. That is very impressive. Thank you.

Ms. WATLING-MILLS. Yes.

Mr. LUETKEMEYER. Thank you for your testimony today.

Ms. Kilhoffer?

Ms. KILHOFFER. Yes.

Mr. LUETKEMEYER. You discussed the need for and the—I guess your experience with long distance technology and how it can be helpful. What is the demand in your area for that? And what do you see on a statewide and nationwide basis? Or can you elaborate a little bit more on what your comments were a while ago?

Ms. KILHOFFER. Well, distance technology has become a platform for the presentation of a lot of the credit courses that the state system of higher education presents, and they have a reciprocal agreement between colleges and universities, within the system and community colleges.

The distance education is cost effective, whether it be online or through interactive television. In our area, in the beginning, people were very, very skeptical, but we have had acceptance of distance technology to the point where we now have a nurse practitioner in our area who through distance technology is presenting. She is the instructor to a course in the master's of family nurse practitioner program at Penn State, main campus.

So our clientele, our folks, have become much more accepting. The demand, the use of it [distance learning], we see approximately 2,000 go through our facility in a year's time, whether it be for credit courses, training on any subject, CEUs. We have had our distance technology used to conduct interviews, present deposition in legal cases, and so the use of the equipment itself has broadened, the topics that are covered through that method have broadened.

And as we have the economic downturn and a whole gamut of new problems and a new population that is going to need to find—like Kurt in the story, new employment, there will be a need to provide the services of the Small Business Administration to our folks.

Mr. LUETKEMEYER. Do you find that it works better for certain business types versus others?

Ms. KILHOFFER. Most definitely. You are not going to get a technical education strictly online. You are not going to learn to adjust air conditioners or be a plumber. That will not work. But if you combine the classroom side of that type of education with work with existing plumbers, air conditioning folks, who are in our region, getting up there in years and will need to be replaced, then you have a chance to produce that kind of training.

Mr. LUETKEMEYER. So even for some—practically everybody, there probably is some kind of educational process that can be utilized like that, not necessarily all of it, but certain types of training can still be like that, even though the heating and air conditioning folks can't do the hands-on stuff.

Ms. KILHOFFER. That is correct.

Mr. LUETKEMEYER. Very good. Thank you. Great testimony.

Ms. KILHOFFER. Thank you.

Mr. LUETKEMEYER. Dr. Rackley, that was great testimony with regards to the work that you do with the ladies' councils there. And I am just curious, do you have a lot of other statistics about other chapters around the country that—or groups like yours that work, how successful they are, and how many there are?

Ms. RACKLEY. There are over 114 women's business centers in—I think it is 114, there are over 100—114 women's business centers in the United States. We all have similar programs. Our programs can be flexible, according to the clientele, the region in which we live, in which we work. But we all have similar programs. We come from different kinds of organizations.

I am fortunate to be in an organization, REI, that has other resources to help us. So we are able to—we cover a lot of territory. We are rural. I travel out, because technology is great, but many of our women are not where they have the technology available to them, or they want face to face. And so we are able to do that.

But there are statistics on—I don't have them with me right now. The only statistic I can quote is women-owned businesses are growing at twice the rate of all businesses nationwide, so women are out there starting businesses.

Mr. LUETKEMEYER. Fantastic. Fantastic.

You mentioned something there that you got outside funding. Do you partner with local public entities or private entities, or both?

Ms. RACKLEY. Rural Enterprises works with state and private entities, and we are part of that organization, for our state—for our matching funds. But we do rely on federal funds for our women's business centers. It is very important for us to be able to have that funding for our women's business centers.

Mr. LUETKEMEYER. Very good. Thank you.

Mr. Celli, thank you for your service, and thank all of those men and women who you represent for their service as well. That is why we are here today to—as a result of their efforts, and we thank you for that.

Mr. CELLI. Thank you very much.

Mr. LUETKEMEYER. Where do you think we can help, or where are we failing with regards to the veterans groups here? How can

we best—I know that the Chairman asked a great question a minute ago with regards to—

Mr. CELLI. The Veterans Corporation.

Mr. LUETKEMEYER. —Veterans Corporation and the SBA. Is there something else you want to elaborate on that perhaps, and enlighten us a little bit more how we can do a better job?

Mr. CELLI. Well, I want to thank the Chairman and Ranking Member. These are excellent questions, and they really do get to the heart of the matter, not only with the questions specifically with regard that you have asked me, but the other panelists as well, because, let us face it, an entrepreneur really is an entrepreneur at heart. And we all face the same issues.

The distance learning I think is a critical piece. Last year, or two years ago, I did a Boston to Baghdad class, where I had soldiers down range that obviously couldn't come to class, and we broadcast over the internet through a teleconferencing system.

I am a SCORE counselor, and the way I was recruited to become a SCORE counselor is because when I started my counseling program in Boston I went to SCORE and I said, "Hey, can you send me, you know, four or five counselors over the course of a couple of weeks, so that I can, you know, start my programs?" And they said, "We are really not built that way."

And I said, "Gee, I am sorry. I didn't understand, you know, the dynamics of your organization. How can I help you?" They gave me an application.

So, you know, I think that the most important thing to take away from testimony or from hearings such as this and the laws and the proposed regulations that are being introduced here is that we all operate in a very cooperative society. And we want to work together, we want to leverage each other's resources, we want to be able to work not independently but as a team through these federal appropriations, so that we are not spending the same dollars on the same services on the same client in many cases, so that we can work together.

So, again, I—

Mr. LUETKEMEYER. You just framed my bill. Thank you very much.

[Laughter.]

Mr. CELLI. Thank you.

Mr. LUETKEMEYER. I didn't mean to interrupt, but I couldn't resist.

Mr. CELLI. That is okay.

Mr. LUETKEMEYER. Go ahead.

Mr. CELLI. Well, I just think that it is our responsibility as responsible grantees to make sure that we make the best use of our money and of your intentions. And I think that this Committee, the overall Committee, this Subcommittee, has exactly the right focus, and that is to start to interweave these programs together and really force everybody to play in the same sandbox.

Mr. LUETKEMEYER. Two thumbs up, sir. Again, thank you. You just made my case. I am going to have you do my briefings from now on, how is that?

[Laughter.]

Mr. Klotz, very briefly, return on investment, three to one, wow, that is impressive. That is a great number, and it is a great story to tell for small business development centers, for what they can do and the value that they have.

What do you think the—Mr. Celli probably put it more succinctly than even I can do that with regards to the entrepreneurial development programs, how do you think we can better fit them together? Where do you see some cracks here that things are falling through?

Mr. KLOTZ. I think Mr. Celli put that very well—have cooperative agreements between service providers, and maybe within a geographic area, not to have five or six or eight programs, all of which seem to have a similar function, but maybe carve out specialties and work together.

You know, at our particular small business development center, we have a close relationship with our SCORE chapter. What SCORE will do for their very first-time clients is to tell them they need to go through our SBDC "How To Start a Business" seminar first. And also, we then have access to their list of volunteers and expertise, so that when we find that entrepreneur with a particular business type or industry, we can match them up with a counselor there as well.

So I think we should utilize the resources that, in large part, are already there, but just coordinating them.

Mr. LUETKEMEYER. Fantastic. Thank you very much.

Ms. Gray-Proctor, thank you for your testimony today. How many other—or how much underfunded do you believe you are with regards to the different tribal groups that have needs? I know you mentioned the ones in North Carolina. Of course, that is pretty near and dear to the Chairman's heart here.

Ms. GRAY-PROCTOR. Yes.

Mr. LUETKEMEYER. But are there other groups out there that have dropped their services as a result of funding?

Ms. GRAY-PROCTOR. Exactly. And that is why, you know, the disparity of the funding, some of the programs we lost, weren't refunded, because what we serve is nationwide. I mean, it is in the lower 48, and, of course, up in Alaska as well. And, you know, we can't be all things to all people.

But you know what? I really got a lot of good ideas about long distance learning, and we have Native American veterans. Of course, I am a woman entrepreneur myself, and have had my company for 11 years. So, you know, the funding issue is that, you know, our voice hasn't always been heard, because our differences, as different from what—my panelists here, is that the social needs have to come with the economic needs in our Indian communities.

We have of course, you know—I am just going to throw out some statistics. We have the highest rate of teenage suicide dropout. So if we look at helping our economic needs in Indian country, which is all over the United States in our Indian communities, we will be able to help those needs if we help give them the hope of the entrepreneurial spirit, which is—historically, that is where Native Americans—we reformed.

We were tribe to tribe. If they had corn over here, and we had beans, we traded. It was a trade that we have done historically for

years—2-, 3-, 400 years prior to us being a country. We did it—we had commerce way before. So we do need to have that money infused, because we have, you know, our reservations, our needing that help for entrepreneurs—Pine Ridge.

And also, you can get me started on doing tax credits on Indian land and everything else that we can think of. But it is having these centers funded and having them spread out across the United States that we are able to help—to do a far-reaching.

And I am just glad that I have gotten to be able to be up here with them, because I am going to call on them, you know, for the veterans and for—I want to know more about SCORE, you know, and the long distance learning, it is just great. So anyway—

Mr. LUETKEMEYER. Thank you. Thank you for your testimony.

Ms. GRAY-PROCTOR. Thank you for the opportunity.

Mr. LUETKEMEYER. Thank you.

And for those of you who can't pronounce my name, don't worry about it. Nobody else can either. Our press secretary still hasn't gotten it right, so—

[Laughter.]

Thank you.

Chairman SHULER. Thank you, Ranking Member.

[Laughter.]

At this time, I would like to yield to Ms. Dahlkemper for her questions.

Ms. DAHLKEMPER. Thank you very much, Mr. Chairman. Thank you, panel, for being here. I appreciate your holding this hearing today.

Small business is a critical component of our economy. And as we focus on ways to restore the economic growth and end this downturn, we must keep small business in the forefront of our efforts.

As small business owners experience tightened credit and lower sales in this difficult economic environment, it is crucial for us to ensure that there are assistance programs available to help them meet their challenges. Entrepreneurial development assistance programs have a proven record of helping our businesses grow, yet the last time these programs were reauthorized was a decade ago.

Since then, these programs have not modernized to meet today's small business needs. We must provide programs with adequate funding in order for them to revamp their programs towards guiding small businesses through these new financial obstacles.

I just have a few questions. First, I want to say hello to Ms. Kilhoffer. I am from Erie, Pennsylvania, so we are neighbors. And I have been to St. Mary's many times. It is a beautiful area of the country. I did have a question for you regarding the long distance learning and wondering what obstacles you see for economically disadvantaged individuals to have access to this technology and benefit.

Ms. KILHOFFER. Well, working for a community education council that is to be the hub of those [long distance learning options], the only obstacle would be that they—any individual—who do not have access within their home to a computer or whatever is tied to our hours. But our hours are anywhere from 7:00 in the morning until 10:30 in the evening. So they have to come to us, yes, to access online through computers the distance education technology.

In regard to interactive television, that is, again, tied to our hours and whether or not the equipment is in use.

But for the individual to do it from their home, if they have access to a computer that is great. Not everyone in our county does.

Ms. DAHLKEMPER. Right. And broadband.

Ms. KILHOFFER. It has gotten much better, I am pleased to say. So that is not necessarily a problem any longer.

Ms. DAHLKEMPER. Okay. And the distances, how far do people have to travel to get to the center? I mean, how far out-reaching are you?

Ms. KILHOFFER. Our service area is defined as Elk and Cameron Counties, but we are finding that we have a large increase in the last two years of people from surrounding counties who are willing to come to our facility, because it is easier, shorter. I don't know if it is better roads, whatever, than going elsewhere. State College is an hour and a half, Clarion is an hour and a half, Erie is two hours away, and those are hubs of education that—and learning.

Even the Small Business Administration—the small business development centers that are in our area are those distances away. What happens is they come to us. The representatives come to our facility and meet with the clients there. We find that we are centrally located for the people that we serve.

Ms. DAHLKEMPER. So you think it is adequate in terms of—

Ms. KILHOFFER. Adequate.

Ms. DAHLKEMPER. Okay. Appreciate that.

Mr. Celli, I have question for you. H.R. 1803 will create a special service disabled veterans grant program. As compared to soldiers who fought in previous wars, what do you see as any new needs, if any, that these brave men and women might need to have dealt with before starting a business, or while starting a business?

Mr. CELLI. Thank you very much. That is an excellent question. And one of the biggest problems and disparities with regard to these conflicts as opposed to earlier conflicts is really the enormous call-up of our Guard and Reserve forces. Our Guard and Reserve forces have—and it is very difficult to get the exact numbers out of the Department of Defense, but anywhere from 15 to 25 percent small business ownership.

And what is going to happen is small business owners who wanted to dedicate part of their patriotic time to serving their country are going to stop doing it when they realize that they are not being supported with their small business efforts when they come back, or before they leave.

If I get hold of a Guard or Reserve member who is a business owner before they leave, 12, 14, 18 months before they leave, I can help them put in place certain safeguards and plans that can help keep their business viable, maybe not as profitable as it would have been, but at least viable while they are gone. The money for these types of programs absolutely just doesn't exist.

And earlier we were—we heard some testimony with regard to how these grants are sustained over many years, and some of the centers may be becoming a little stale over years. The truth is that I have been doing this for almost six years now, and getting matching funds is hard enough, but getting funds to completely support an entrepreneurial outreach center is very, very difficult in today's

nonprofit community, because philanthropic organizations really want to put their money toward disease or children or literacy.

So we are really far down on the pecking order. These grants are absolutely critical to keep a viable economy moving, because, as we spend money on these TARP programs and bailing out the big businesses, the big businesses are failing because the little businesses are failing. Big business absolutely can't survive if little business isn't there to support them.

They are some of the major purchasers, some of the major suppliers, so if we start to support the small businesses it will just by nature support the larger businesses who will then have more food to eat. So these programs are critical.

Ms. DAHLKEMPER. Do you have any statistics on veterans who have had, you know, small businesses? Or I want to say maybe they aren't veterans yet, they are in the Guard—

Mr. CELLI. Sure.

Ms. DAHLKEMPER. —possibly Reserves, and then go serve and come back and their businesses have failed?

Mr. CELLI. I can tell you that based on my client base, one of two things happens. When they leave, they either put their business on ice or they sell it. When they come back, if their business has been on ice, it is almost like starting over again.

And the veterans and the Guard and Reserve members who face the biggest challenges are those who have purchased franchises. And while franchises are trying to be as compassionate as possible, they are in business in well, and they need their franchise money. And the other thing is, with loans, outstanding loans with regard to large equipment, the USERRA Act and the Soldiers and Sailors Relief Act, that protects veterans who deploy and come back with personal loans, but not for business loans, so—

Ms. DAHLKEMPER. Thank you very much.

And one last question for Mr. Klotz. I just wanted to ask you for some specifics, because one of the key programs in H.R. 1845 calls for establishing a green entrepreneurs training program. However, this is kind of short on details, and I was wondering, what would qualify as a green program?

Mr. KLOTZ. That is a question we have been struggling with for about six months in our center trying to define that very thing, because almost anything a company does or intends to do can be done greener. I think we are looking at startup companies that are looking to retrofit businesses or homes to use less energy. I think that is going to be a growth area. We will have a significant bump in number of solar and wind-powered startup companies. We will see some of that.

It is a difficult question, but an important question you ask. And I think all of us at SBDC are still trying to define what that is.

Ms. DAHLKEMPER. I appreciate it. Thank you.

I yield back.

Chairman SHULER. Thank you.

At this time, we will yield to Mr. Thompson.

Mr. THOMPSON. Well, thank you, Chairman.

I want to thank the panel for your testimony, and also, way more importantly, your service to small business entrepreneurs. We all

know how important that is, and just really appreciate how you each in your own respect are providing that service.

Just a couple of questions. Ms. Kilhoffer, you know, the remote area, you know, I am very familiar with how remote—how rural the area is. The area that you are in there is—you know, that is home to the area—the congressional district is the only elk herd in Pennsylvania.

Ms. KILHOFFER. Yes, sir.

Mr. THOMPSON. And that is how rural we are. If a student in that area, the student that you served, did not receive education from your institution, or through your institution, where else—what other options do they have? Where else could they go locally for education?

Ms. KILHOFFER. Locally? They would have to drive an hour and a half, two hours, over 60 miles—well, excuse me, 40 miles to the one institution. Would they be likely to go? No. We are talking about adults who have families and roots, and they would just as soon stay where they are at as make a twice-a-week, three-times-a-week drive to a facility that is that far away.

So where would they go? They could go to Clarion University, they could go to Penn State University, they could go to—

Mr. THOMPSON. Quite a distance, though.

Ms. KILHOFFER. They wouldn't. Would they do it? Not likely.

Mr. THOMPSON. Not likely. The folks that are there, what is kind of the breakdown between currently entrepreneurs, you know, people that are looking at a new start, second career, third career, being laid off, versus someone—a young person just coming out of high school, and the differences in their needs?

Ms. KILHOFFER. We have—traditionally, our clientele, our population that we serve, are returning adults. We have seen an increase in the number of students fresh out of high school who are choosing to remain at home and get their education through the opportunities at our facility.

As for the entrepreneurs, we have just this past month—our facility is used by what they call the rapid response teams who address immediately the needs and the information sessions that are available for current—recently laid off employees. We have seen in the past month over eight sessions, each session numbering between 50 and 60 people, people attending rapid response teams.

These people could have—will be potential candidates for new ventures. Some will choose to pursue education. Some will choose to take the talents that they have and start their own businesses.

Typically, one half—50 percent of our companies only have one to four employees, and what will happen is that folks will choose to start something new on their own as opposed to going back and starting a new education, because they know work best. They don't know education best. So we are going to see a lot more entrepreneurs that are going to need services coming out of this new round of eight sessions of 50 or 60 people a session who no longer have employment because of forced layoffs, permanent forced layoffs in our area.

Mr. THOMPSON. Great. Thank you.

My last question, Mr. Klotz, what would you say is—the number one problem is for small businesses right now? And what strategies

are you seeing being used to assist small businesses with that problem?

Mr. KLOTZ. The largest problem that I have seen among my clients is in the access to capital area. There are some exciting new programs with the SBA as far as increasing the guarantee to 90 percent, waiving fees for loans, and one of the newer programs of stabilizing businesses. That is exciting.

However, as great as those programs are, the lending is done at the local bank. And unless they sign on, it all stops there. And I have seen an extremely conservative local lending environment, to the point where I saw deals that were no-brainers before, I mean hands down easily fundable, where my clients are either getting nos or you have to try to piece together multiple financing sources to make the deal happen. So every single deal is like pulling teeth.

So I see that as the largest area of concern, especially in a time when companies are seeing their sales drop, they might need that extra boost on their line of credit to make payroll next month. And the local lenders are very conservative and scared.

Mr. THOMPSON. Thank you.

Mr. Chairman, I yield back.

Chairman SHULER. Thank you, sir.

I now yield to the gentlewoman from New York, Ms. Clarke.

Ms. CLARKE. Thank you very much, Chairman Shuler, and Ranking Member Luetkemeyer. Was that good? All right. We are getting there. We are getting there.

I want to also thank today's witnesses for their valuable contribution to the American entrepreneur and small business.

Today's hearing gives us an opportunity to enhance the SBA programs that are vital in helping small business during our economic downturn. One program that I am a strong advocate for is the women's business center. As you are aware, this program was designed to address problems that women face being competitive entrepreneurs through counseling, training, and mentoring. By increasing access to resources for these entrepreneurs, it also increases the viability of that business.

This is especially true for women-owned businesses in socio-economically disadvantaged communities. And it should be a collective goal to find ways to strengthen the women business centers. One area of improvement is in the area of grant disbursements to women business centers. Women business centers experienced delays that were so extreme that they were forced to seek funding elsewhere while attempting to resolve matters with the SBA.

Also, these same delays caused some women's business centers to lay off staff, abandon vendors, and curtail operations to stay in business.

I hope that we can modernize the women's business centers which are essential for our economic recovery. So I would like to ask Dr. Rackley, as you stated in your written testimony, small business owners are beginning to feel the impact of the economic downturn, in particular women-owned businesses. What is great about the women business centers are that they provide free training workshops to entrepreneurs who need it most, but I know that it can be costly for women business centers.

Can you tell me if you are aware of any women business centers that experienced problems receiving grant disbursements, which may be helpful in funding these great workshops?

Ms. RACKLEY. I know that there was a problem. There was a backlog in getting reimbursements. But the Office of Women Business Ownership is implementing a new program with—so there is not that delay in getting their reimbursements. But it is a problem. I mean, we are trying to provide the training, and we try to provide it at free or low cost, because there is just not a lot of money out there. That is what I think is great about our women's business center program.

And I have to say that we—our women's business center at REI, we partner with a lot of other organizations, because we partner with the SBDCs, SCORE chapters where they are available—they are not always available in my rural area—and with the Native American community, so that we can all use our resources. We have limited resources. But if we can pool our resources and work together, we can provide training.

I want to just give an example of a training program we had last week with the Citizen Potawatomi Nation. We were doing a minority business summit, because with all the stimulus package and all the contracting, there is a great need to find out how to do business with the contractors, with the government, with the tribes.

And so we had 65 at our program last week in Shawnee. So we are great partners with other organizations, and we are always looking—because we can't do it on our own, but we can work together. We don't always have SBDCs. And we are two business centers, and we cover the entire state. So we must make the most of our resources.

Ms. CLARKE. Very well. Let me ask you about the communication between the SBA offices and the women business centers and the processing of payment requests. The inability of these offices to work in an integrated fashion, combined with flaws in the payment process, largely cause paperwork to be rejected or lost.

Do you believe that a simple checklist can ensure that payment requests are adequately reviewed?

Ms. RACKLEY. I think that would help. As I said, they are implementing new procedures that are speeding up the process and not causing that delay. But there is always other methods that could be tried, could be improved on. It is important.

I know that there are some stand-alone women's business centers. When they didn't get the funding, they were not able to operate. Like I said, we are fortunate to be in an organization that helps us, but not all women's business centers are in organizations—a strong organization like REI. And so they really did suffer from not being able to get the funding.

Ms. CLARKE. And what would you say creates that level of strength within your organization versus the stand-alones? Is it the collaborative process? Is it the type of relationship or partnership that is established at the outset with the SBA? What would you say has been your pathway to creating, you know, this visibility to get response?

Ms. RACKLEY. We have great leadership. We have a great board of directors. And we are an economic development organization. We

have other resources. We have SBA loans, we have the micro loans within our own organization. We work with our Finance Division to help our clients know how to go about securing loans, get the information before they go to a bank.

So we have those other resources. We have business incubators. The woman I talked about—that is getting the award tonight—is in one of our business incubators. We have housing programs to help small employers, small businesses, to retain employees. So there is just a multitude of services, and we have great leadership.

Ms. CLARKE. Dr. Rackley, would you say on average most of the women business centers are at your level? Or, you know, how would you describe it? You know, what I am trying to get at is how we build capacity.

Ms. RACKLEY. I don't think they are at the level that we are, because many of them are stand-alone, there are several that are organizations the size of ours that have that other support, but many are not there yet, they are in stand-alones. I think that is what happened to the two in Oklahoma that failed. They were in a stand-alone and getting those matching funds is—can sometimes be difficult.

Ms. CLARKE. Very well.

Ms. RACKLEY. But if we don't have the federal funding, we cannot operate. And it is important—I notice that the funding level that is written into the legislation, that would be great for all women's business centers.

Ms. CLARKE. Wonderful. Well, thank you very much for your candid responses.

And, again, to each of the witnesses, thank you for the work that you do. It is so critical and vital to all of our communities, particularly those that are in the rural parts of our nation or that may be struggling economically in disadvantaged communities. Your work is really greatly appreciated by this Committee and by the communities that we serve.

And I yield back, Mr. Chairman.

Chairman SHULER. Thank you, Ms. Clark.

I also want to thank you for your testimony today. I think we have already seen several instances of ways that we feel that we can help, and that is the part of the process that we enjoy. This is due process which starts in the Subcommittee and goes to the Committee. Now we have found some holes and some gaps, and we hope that we can fill those gaps.

So thank you for your participation. Thanks to all of my colleagues. I look forward to continuing to work with them on this legislation.

I ask unanimous consent that the record be open for five days, additional days, for members to submit their testimony. Hearing no objection, so ordered.

This hearing is adjourned.

[Whereupon, at 1:36 p.m., the Subcommittee was adjourned.]

HEATH SHULER, NORTH CAROLINA  
CHAIRMAN

BLAINE LUETKEMEYER, MISSOURI  
RANKING MINORITY MEMBER

## Congress of the United States

U.S. House of Representatives

Committee on Small Business

Subcommittee on Rural Development,

Entrepreneurship and Trade

2361 Rayburn House Office Building

Washington, DC 20515-0515

### STATEMENT

of the Honorable Heath Shuler, Chair  
Subcommittee on Rural Development, Entrepreneurship and Trade of the  
House Committee on Small Business  
Hearing on Legislative Proposals on the SBA's Entrepreneurial Development Programs  
Thursday, April 2, 2009

There's a reason so much of our recovery efforts have focused on small businesses. It's simple, really—Jobs. Entrepreneurs generate between 60 and 80% of all new positions, and are the most efficient drivers of economic growth. At a time when big companies are slashing their workforce, we need to be investing in businesses that are creating jobs—not cutting them.

Entrepreneurial Development programs, or ED, do just that. From small business training networks to veterans' initiatives, ED programs have helped countless entrepreneurs get off the ground. In fact, startups that receive this kind of assistance are twice as likely to succeed. It just makes sense.

For new entrepreneurs, starting and running a business is a heavy lift. This is particularly true during a recession. In 2008 alone, ED programs pumped \$7.2 billion into communities across the country. They also laid the groundwork for 73,000 new jobs. With unemployment at its highest point in 25 years, we could use that kind of job creation now.

The 7 bills we are examining today will help in those efforts. This morning, we will discuss legislation to modernize ED programs. These initiatives will help small business owners to survive the recession, and spark a recovery. Last year, SBA enacted a handful of new ED provisions. But outside of that, the program has changed very little since 1999. Since then, the economic landscape has changed considerably.

We are now facing a crippling recession, and historic small business declines. In the coming year, ED initiatives are going to have to adapt. As part of that process, many programs will have to be streamlined and revitalized. It's no secret that this last year has been tough for small business owners.

Entrepreneurs need all the tools they can get to pave a path back to prosperity. An investment in ED goes a long way in helping entrepreneurs. And the benefits don't stop at the small business community. Every \$1 dollar spent on these initiatives drives another \$2.87 right back into the economy. That sounds like a good investment to me.

Those small business dollars are the kind of capital we need to turn things around, especially in rural and underserved communities. But regardless of where they live, entrepreneurs everywhere have the ability to restart our economy. With a renewed emphasis on small business resources, they can help bring the country back on track. I'd like to thank all of the Committee staff for their hard work on this legislation, as well as my colleagues who have supported it.

## TESTIMONY

Ken Klotz, Director  
Illinois SBDC at Bradley University

Subcommittee on Rural Development, Entrepreneurship & Trade  
Hearing on "Legislative Initiatives to Modernize SBA's  
Entrepreneurial Development Programs"  
April 2, 2009

New jobs, revitalized communities, additional tax revenue, and an increased tax base are the goals of those charged with the responsibility for the economic future of this country. Growth in new and existing businesses will fuel the economic recovery needed during the trying economic times we face. Small Business Development Centers (SBDC's) provide the guidance necessary to capture these growth opportunities.

**SBDC Services:**

SBDC's work with both start up and existing businesses, providing a wide array of services. In addition to providing assistance with business plans necessary to access bank and investor capital, SBDC's give advice on low cost marketing ideas, analyze the feasibility of new business ideas, and assist with human resource management problems. Most SBDC counselors are adept at performing a very detailed analysis of a company's financial statements, identifying cash flow blockages, and providing solutions to inventory and accounts receivable management problems.

Because SBDC counselors are intimately aware of their community resources, they are often called on to provide referrals to skilled service providers on issues not handled by the SBDC. Training programs on business management topics are part of every SBDC's service delivery goals. Finally, an SBDC counselor is often the ONLY confident a business owner has. They are reluctant to share business problems with employees, competitors, their banker or CPA, and often, not even their spouse.

Some states have established specialized SBDC's that focus exclusively on government procurement, international trade assistance, and technology entrepreneurship.

**Return on Investment:**

During trying economic times, government must make sure it receives a reliable, consistent, and predictable return on the investment of taxpayer dollars. The SBDC program has historically provided a substantial long-term, proven, and documented return on tax dollars. For calendar year 2008, the SBDC program has returned \$2.87 for every \$1 invested by government. Some states perform much higher than the average. My home state, Illinois, produced a return of \$5.98 on every \$1 invested.

The ROI numbers mentioned above are not estimated or projected figures. Each year, the national association for SBDC's (ASBDC) hires Dr. James Chrisman of Mississippi State University to perform the ROI analysis. Year after year, the SBDC program proves that

it is one of the wisest and most certain investments the government can make. In light of our recent, shared learning experience about the speculative nature of investments, it is comforting to find an investment that is virtually a sure thing.

**Economic Impact of SBDC Services:**

SBDC's are required to gather reliable data on the impact of their services on the clients they serve. The data gathered includes new jobs created, existing jobs retained, new business starts, debt and equity financing obtained, and business expansions. For certain specialized SBDC's, data is gathered on government contract dollars obtained and new export sales assisted. To guarantee the accuracy of the impact, SBDC's are required to obtain a signed statement from the client attesting to the impact.

In 2008, the Illinois SBDC programs alone produced the following documented results:

- More than 12,000 clients served
- The creation of 5,840 new jobs
- The retention of 10,500 existing jobs
- Debt and equity financing acquired in excess of \$160 million
- 370 new businesses
- \$1.1 billion in government contracts received by clients
- \$205 million of export sales assisted

For calendar year 2008, the SBDC program produced the following economic impact nationally:

- More than one million clients served
- More than 80,000 new jobs created
- Saved more than 95,000 existing jobs
- Debt and equity financing acquired in excess of \$3.5 billion
- More than 13,000 new businesses started

Additionally, SBDC clients experience more than 17 times the job growth of non-SBDC client businesses, and sales growth of 20.2% compared to 5.2% for businesses in general..

The "real" impact of SBDC services lays in the client success stories. Sofi's Stitches is a great example of how a close relationship with an SBDC can dramatically affect a company. The owner, Valerie, first visited the Illinois SBDC at Bradley University in 2001. She had started a part-time business at her kitchen table, using an old sewing machine borrowed from her grandmother. Valerie would create authentic reproductions of clothing worn in medieval times. When she had produced enough inventory, she would load it in her van and drive to a renaissance festival somewhere in the Midwest. She would sell her clothing in the parking lots of the fairs she attended.

Valerie's dream was to turn her business into a full-time endeavor. I met with Valerie dozens of times throughout the next 8 years, advising her on business plans, growth strategies, performing financial analysis, and securing student teams to perform market research for her at no cost. By 2007, her little business had grown to employ 12 workers, with sales exceeding \$1 million. She now owns permanent booths at renaissance fairs in

14 states, has a vibrant web and mail order business, and has secured three distributors in Europe.

If Valerie's story ended there, it would be a good one. It doesn't end there, however. Almost one year ago, a company that manufactured custom men's suits suddenly closed, putting 80 people out of work. The impact on the small community of 2,000 was devastating. I contacted Valerie after recalling her desire to expand into a new line of business. I suggested that perhaps she could reopen the business as a complement to her medieval clothing business. After several planning sessions with the SBDC, Valerie purchased the assets of the closed company, with the assistance of an SBA guaranteed loan. She has rehired 20 of the displaced workers and, if she receives an anticipated government contract, plans to hire 80 additional workers within the next 6 months to produce dress uniforms for the U.S. Army. Stories like Valerie's abound throughout the SBDC program.

#### **Increased Demand For SBDC Advice:**

Layoffs have sparked an interest in new business start ups. Since January 2009, SBDC's have seen a dramatic influx of new clients requesting business advice. At the same time, existing businesses in financial trouble are seeking advice on how to survive difficult times. This increase has stretched many SBDC's beyond their capacity to provide timely and complete service. To adequately serve an increased number of clients requires additional counselors and the funding to hire them.

#### **Job Loss Crisis Among Small & Mid-sized Companies:**

Our small to mid-sized clients (those with fewer than 500 employees) are laying off workers at a startling pace. Much of the national attention has focused on job losses at large companies and threatened job losses at the big three automakers. While not diminishing the importance of those difficulties, a much more severe job loss epidemic is occurring among smaller companies.

Payroll processing giant, ADP, just completed a "National Employment Report", studying a one month period from January to February 2009. They determined that the total job loss that month was 697,000. Of this total, 576,000 were from employers with fewer than 500 workers. That is a staggering 82.6% of the total jobs lost.

Because of the bleak job loss numbers detailed above, small businesses need the help of expert SBDC counselors more than ever. SBDC's can show business owners how to squeeze more cash out of their balance sheets, giving them an avenue to stem the tide of layoffs.

#### **SBDC Funding Crisis:**

For many of the past years, the funding for the SBDC program did not increase, yet demand for services and center operating costs did increase. There was an increase in funding for the SBDC program last year for the first time in several years. Most states, however, cannot operate their SBDC program with only federal funding. Most states supplement the federal dollars with state dollars, and in fact are required to do so by the

SBA. Strained state budgets have made it much more difficult to provide supplemental funding for this program. So, the proposed federal increase represents the only viable solution to place additional operating funds in the hands of individual sub-centers.

With smaller companies in more financial trouble than in recent history, now is the time to increase the capacity to assist them through their difficulties.

**Proposed Modernization Initiatives:**

I commend Congressman Shock and this committee on their foresight and creativity in proposing SBDC programmatic enhancements that are both appropriate and timely. The types of specialized programs for which new funding is proposed, address the needs I see every week when meeting with clients.

- a) An increase in funding level for general SBDC program operations is sorely needed. The proposed increase in funding to \$150 million in fiscal year 2010, and \$160 million in fiscal year 2011, will help SBDC's meet the increased demand for their services.
- b) Access to capital has always been one of the main obstacles for those wishing to start or expand a business. Conservative lending environments, larger than normal debt balances, and increasingly damaged credit ratings have magnified this obstacle recently. Programs that will help entrepreneurs repair damaged credit, access non-traditional financing, and education programs will enhance the ability of business owners to obtain the financing needed to survive and grow.
- c) The "greening" of America will require educating people on new ways to do business and new industries in which to start businesses. Those who provide business advice will need resources to assist these clients. The proposed program enhancement will help SBDC counselors to answer this call.
- d) With a large federally funded infrastructure program looming, the need for assistance in accessing government contracts will grow rapidly in 2009 and beyond. SBDC's have already seen a large increase in requests for advice on government procurement opportunities. Greater demand for assistance will require an expansion of capacity to provide that assistance. Additional funding for procurement advisors is sorely needed.
- e) Main street businesses are suffering, and in many communities - disappearing. Companies in the greatest financial distress require significant personal attention and time from advisors if they hope to survive. The enhancements proposed will help provide funding to develop new resources needed to increase the effectiveness and efficiency of the type of intensified business assistance needed by at-risk companies.

- f) Educational institutions are just as financially strained as many businesses today. The demand for entrepreneurship programs and curriculum has seen a dramatic rise in the past five years, yet the funding needed to meet that demand has been difficult to find. The enhancement proposed will help SBDC's and educational institutions respond to market demand for more business education programs. Certificate and mini-MBA programs are a couple of examples of the types of programs that could be created with the new funding.

**Summary:**

The SBDC program has proven to be one of the most impactful and fiscally responsible programs created to spur business growth. A guaranteed positive return on investment, job growth, new business creation, and expanded export sales are the results achieved by SBDC counselors every day. Enhanced programs and increased funding are vital to the continued existence of this valuable resource for our business owners.

**Jeannette Watling-Mills  
Chair, Manasota SCORE  
SCORE "Counselors to  
America's Small Business"**

**Statement  
to the  
U.S. House Small Business Committee  
Subcommittee on Rural Development, Entrepreneurship and Trade  
U.S. House of Representatives  
April 2, 2009**

Chairman Shuler, Ranking Member Luetkemeyer and members of the committee: my name is Jeannette Watling-Mills and I am the chapter chair of Manasota SCORE in Sarasota, Florida. I am here on behalf of SCORE, the Service Corps of Retired Executives, also known as SCORE "Counselors to America's Small Business."

Thank you for the opportunity to offer this testimony about the U.S. Small Business Administration (SBA) Entrepreneurial Development Programs, including SCORE, and the fiscal year 2010 and 2011 authorization bill. I am here to represent SCORE and the 11,200 volunteer counselors who donate their time and expertise to serve America's entrepreneurs.

I am a born entrepreneur, having started my first business making and selling sea shell earrings at age 8. My background and education is in interior design and I worked as a designer in New York, Miami and Sanibel, Florida. In addition to my role as chapter chair at Manasota SCORE, I own Bob's Window Cleaning, a commercial window cleaning company serving Sarasota and Manatee counties in Florida. I have owned several other successful small businesses including a drapery franchise, mortgage brokerage and an entertainment promotions business. Like most of my SCORE colleagues across the country, I am active in other volunteer organizations and in my community. I served four years as president of the Women's Exchange, a local consignment shop. I am an active mentor in Big Brothers and Big Sisters. I joined SCORE in 2007 and became chapter chair in 2008. My love of business, hands-on business experience and my mentoring skills have prepared me very well to work with, guide and mentor SCORE clients.

SCORE fulfills a vital role for America's small business owners and aspiring entrepreneurs by providing much needed technical assistance. As you know, many small businesses continue to struggle with layoffs, access to capital, cash flow and overall management issues. SCORE has a proven track record of both creating and saving jobs by improving small business survival rates as well as accelerating small business formation.

Many of those laid off by corporate America will find opportunities through self-employment or by being employed in a small business. Technical assistance provided by SCORE and other SBA resource partners must be available to assist these aspiring and

growing businesses as they contribute significantly to economic recovery and consumer confidence. Research shows that small businesses are five times more likely to start if they get assistance from a government supported program such as SCORE.

SCORE volunteers assisted in the creation of almost 20,000 new small businesses in 2007, according to the SBA, and SCORE volunteers help to create more than 25,000 new jobs each year. Congressional support of SCORE makes this possible.

In FY08, SCORE reached a major milestone, helping its 8 millionth client. SCORE helped 357,637 people through its mentoring and workshop programs, an increase of 13 percent over the previous year. SCORE volunteers donated more than 1.3 million hours of service.

At a standard hourly consulting fee of \$100, these services would have cost small business owners more than \$195 million dollars. According to Independent Sector, the average value of a volunteer hour is \$19.51. Even based on that heavily discounted hourly rate, SCORE's volunteer services are valued at \$25,363,000 annually. According to the SBA's 2007 Congressional report, SCORE assisted 336,411 businesses and created 19,732 jobs at a cost of \$29 per small business assisted.

SCORE volunteers are working or retired business owners, corporate executives, teachers, civil servants and military leaders who share their wisdom and the lessons learned during their careers. SCORE volunteers help clients with a variety of business areas and provide support, coaching and motivation. Some of the most common issues addressed by a SCORE volunteer mentor include business planning, marketing, cash flow and access to capital. The most common types of businesses served by SCORE are in the service and retail categories, followed by consulting, manufacturing, construction and healthcare.

#### **SCORE Increases Small Business Success**

Dr. Jianwen Liao from the Illinois Institute of Technology found that "Entrepreneurs who contact and participate in government programs (such as SCORE) are about five times more likely to successfully start a new business." There are three types of clients served by SCORE:

- **Pre-start-up.** SCORE provides counseling, mentoring and coaching for aspiring business owners in person at one of more than 1,000 chapters and branches across the country or online through "Ask SCORE," our email counseling system. In addition, SCORE provides business related templates and workbooks for assigned tasks to clients, as well as pre-business workshops both online and in person. Anecdotal evidence indicates that the pre-start-ups seek five primary types of information: 1) testing of the business idea; 2) information on how to create a business plan; 3) advice on choosing a business structure; 4) how-to information on the process of structuring a business and creating a legal entity; and 5) additional advice on topics such as marketing, financing or how to establish supply and distribution chains as they move into the start-up mode. It should be noted that in her research Dr. Liao also found that "Entrepreneurs who complete a business plan

are more likely to either continue in the business start-up process or actually start a business than are individuals who do not plan.”

- **Start-up:** SCORE provides business counseling, mentoring and coaching both online and in person to start-up businesses in operation from zero to one year. SCORE also offers startup specific templates and workbooks for clients, as well as a variety of start-up workshops online and in person. Anecdotal evidence indicates that start-ups focus on six core areas of information: 1) completion of the business creation and licensing process; 2) access to capital and financing; 3) a roadmap for next steps in opening the business to customers; 4) specific subject information on marketing, finance, etc.; 5) detailed advice on sourcing vendors, creating channels, developing supply chains, manufacturing and distribution; and 6) creating referral networks.
- **Existing businesses:** SCORE provides business counseling, coaching, mentoring and support both online and in person to existing small businesses. SCORE offers team counseling, templates and a variety of workshops online and in person for existing businesses. Anecdotal evidence indicates three distinct tracks of clients that SCORE serves based on need: 1) clients seeking capital and growth; 2) clients seeking to solve a business issue or challenge; and 3) clients returning to SCORE for continued mentoring. The subject, industry and specific needs tend to be more specialized in these cases and the counselor skill match becomes more critical.

According to the *Survival and Longevity in the Business Employment Dynamics Database, Monthly Labor Review, May 2005*:

- 80 percent of new employer firms survive one year
- 66 percent survive two years
- 55 percent survive three years
- 44 percent survive four years

The research has shown that businesses that survive four years have a better chance of surviving long-term. After the fourth year, the rate of firm closings declines considerably.

#### **SCORE Offers Online Resources & Advice**

Immediate access to information and resources is important to today's entrepreneur. The SCORE Small Business Web Site is often the first place that entrepreneurs seek information about small business and SCORE. Last year, more than 2.8 million people visited [www.score.org](http://www.score.org), up from 405,000 people in the year 2000.

SCORE has provided “Ask SCORE” advice or counseling by email 24 hours a day, seven days a week, since 1997. Today, SCORE's 1,200 online counselors provide expert advice in more than 600 business areas. Entrepreneurs can search by business question or keyword. They can refine their search by geographic location, counselor gender and in some instances by language. An entrepreneur also can search “veteran-owned business” to connect with a counselor who either is a veteran or has specific experience with the unique needs and

opportunities available to veteran-owned and service-disabled veteran-owned businesses. A mentor is then chosen based on his or her list of skills and a brief biography.

The Find SCORE mapping tool helps entrepreneurs find a SCORE office instantly. Web site visitors can access SCORE's free "how-to" articles, 40 online workshops, a series of 5-minute podcasts, SCORE Women's Success Blog, and SCORE Ask an Expert Blog.

Online, more than 60,000 people Ask SCORE for advice, and 51,667 took online workshops in FY08. SCORE continues to provide and develop new resources online to meet the needs of today's entrepreneur.

### **SCORE Takes Action During the Recession**

Small businesses face challenges on many fronts, including lower consumer spending, rising unemployment and tightening credit. Many small business owners have been coming to SCORE for help with cutting costs, managing cash, finding capital, streamlining operations and developing new customer channels.

All across the country, SCORE volunteers are helping clients navigate the credit crunch. SCORE can help an aspiring entrepreneur put together a strong business plan to get them through the start-up phase. For in-business clients, SCORE can provide advice on handling cash flow problems and marketing to drive leads and sales. Many SCORE chapters offer team counseling, where a group of volunteers examine various aspects of the client's business and make recommendations.

"Fuel prices were up. My interest rate went up, making my loan all but impossible to cover," says Sandra Lowe, owner of Service West Delivery in Phoenix, Ariz. "Thanks to SCORE's advice, I stabilized my cash flow. As the economy went down, I was able to downsize real costs. I am not sure what would have happened if I had not gone to SCORE."

In response to this growing need, SCORE recently launched the "Accelerate Your Success" Campaign to help small businesses survive and thrive during the economic downturn. Each month in 2009, SCORE adds a new toolkit with focused articles, templates, podcasts and workshops on helping entrepreneurs weather the current economic storm. These tools can be found at [www.score.org/accelerate](http://www.score.org/accelerate).

In addition, SCORE volunteers are contacting their clients to offer to assess their business conditions and map a plan for success. Many SCORE chapters are working with local chambers of commerce to help their members through the recession

SCORE mentors themselves have faced economic opportunities and difficult economic times. They know how important it is to make payroll, repay a line of credit, anticipate the drag of a down economy, and most importantly, what to do next. All of us at SCORE want to help small businesses hire more people and keep current employees working and their jobs safe.

### **SCORE Serves Many Communities**

We are the SBA's most diverse resource partner. SCORE includes 25 percent women and minority volunteers, achieving the goal set by us, the SBA and the House Small Business Committee. The SCORE Board includes 50 percent women and minority directors. SCORE continues to focus on increasing our level of counselor diversity, which will assist us in our efforts to serve the increasing diversity of our client base.

A report from the SBA Office of Advocacy found that "Women and minorities have been extremely entrepreneurial over the past few years—a trend that is expected to continue." The Kauffman Foundation reports that "Education significantly predicts nascent entrepreneurship, particularly for blacks and Hispanics."

According to the 2006 Impact Study of SBA Entrepreneurial Resources, 13 percent of SCORE clients are African-American, and another six percent are Hispanic/Latino. SCORE offers a section on the website specifically developed for minority entrepreneurs at [www.score.org/minority.html](http://www.score.org/minority.html). It offers articles, resources and statistics on the growing number of African-American, Hispanic, Asian and Native American entrepreneurs. SCORE offers Spanish-language materials at [www.score.org/hispanic.html](http://www.score.org/hispanic.html) and [www.score.org/guides.html](http://www.score.org/guides.html).

Almost half of SCORE clients are women. A key SCORE focus is helping women grow their business from a sole proprietor to an employer firm by hiring workers. Last year, SCORE launched a new Web site for women at [www.score.org/women](http://www.score.org/women). The Web site provides interactive tools, mentoring, workshops and articles that can help women entrepreneurs achieve their business dreams. SCORE also started the Women's Success Blog, the first blog from SCORE at the national level. Women SCORE leaders offer their insights and advice on issues facing women entrepreneurs.

More than half of SCORE clients are between 35 and 54 years of age. Many SCORE chapters also work with local high schools and colleges to reach younger entrepreneurs. SCORE provides information, articles and business research in Web sections for women, minorities, veterans, manufacturers, baby boomers, rural entrepreneurs and young entrepreneurs.

A specific example from the Manasota chapter is Alina Mugford. A native of Cuba and former citizen of Venezuela, Alina started The Translation Link in Bradenton, Florida in early 2006. Working with her SCORE counselor, she developed a business vision of providing language translation services to the local business community. However, her business plan offered more than translation—her plan also encompassed assisting companies in understanding and marketing to the Latino market in southwest Florida and elsewhere in the U.S.

To say that Alina has been successful is an understatement. In two short years, her company's sales have grown more than 1,300%. She includes among her clients the Pittsburgh Pirates baseball club and WEDU, southwest Florida's primary public television station with operations reaching more than 5 million viewers.

Alina's marketing seminars have been adopted by numerous groups, including the American Translation Association, from whom Alina received an achievement award in October 2008. Alina has spoken at local SCORE meetings on techniques for marketing to the Latino market. Among other things, she has been elected to the board of directors of the Manatee Chamber of Commerce, recognized as one of the outstanding chamber affiliates in the United States. But her greatest achievement came in June 2008, when Alina took her final oath and became an American citizen.

Alina's story reflects the American dream. While she has been a SCORE client since the start of her business, it is her perseverance, intelligence, humility and goodwill that have allowed her to succeed. It is with great pleasure that the volunteers of Manasota SCORE have nominated The Translation Link and Alina Mugford for SCORE's Outstanding Small Business Launch by an Individual Aged 50+.

### **SCORE Helps Meet Diverse Needs**

Through a national network of 370 offices and 800 branch locations, SCORE has a presence on main streets in small towns and urban centers in the United States. By working with leading national and local organizations, SCORE can reach new clients and help provide opportunities for all communities.

At the 8<sup>th</sup> Annual eWomen Network International Conference and Business Expo in July 2008, 14 women SCORE volunteers provided counseling and advice in a round table setting to more than 200 attendees on a wide range of topics, including SBA-backed loans, time management, Internet marketing and franchising. Based on our success in 2008, SCORE has been invited to fill a bigger role in the 2009 meeting scheduled for August 6-9.

SCORE is cross-promoting its mentoring and resources with the Initiative for a Competitive Inner City (ICIC). Volunteers with SCORE have helped several clients get listed on the Inner City 100, a ranking of fast-growing, competitive companies in America's inner cities. SCORE is also supporting ICIC's "Growing up CEO" program for young inner city entrepreneurs.

SCORE is working with the Brooklyn Economic Development Center to serve existing and aspiring entrepreneurs in their community. Last year, SCORE helped more than 800 people in the Brooklyn area.

The Hispanic Business Initiative Fund (HBIF) and SCORE are developing a unique partnership to expand the HBIF model of support to Hispanic small business owners in new markets, including markets outside of Florida. Initial efforts include pilot expansion to south Florida and Atlanta. Using SCORE's reach within these communities, SCORE and HBIF will offer HBIF start-up workshops to gauge community interest and support. Based on the level of success, SCORE and HBIF will identify and develop local community, federal and corporate support to launch the HBIF education and support model for existing and aspiring Hispanic business owners. "Our developing partnership with SCORE offers HBIF a significant opportunity to leverage our model and brand with SCORE's brand and reach to serve more Hispanic businesses," says Ed Bustos, president and CEO of HBIF. Bustos adds, "SCORE's respected presence and knowledgeable volunteers in markets across

the country, as well as their desire to support the Hispanic business community, make this a partnership a significant opportunity for HBIF.”

SCORE continues to focus on minority business owners with specialized mentoring and resources to improve business survival and success rates. We also continue to explore new alliances to continue to provide additional support.

### **SCORE Helps Businesses Impacted by Disaster**

SCORE is dedicated to providing entrepreneurs with disaster preparation and recovery resources and training to protect and preserve a small business. Especially during hurricane season, SCORE provides special workshops and online resources.

For two years, SCORE and HP have conducted a nationwide tour on disaster preparedness in 20 cities across the country. These one-day seminars include numerous experts in the areas of business continuation, disaster recovery and disaster preparation. More than 1,200 people got real insights and simple solutions for protecting core assets from storms, floods, fires, theft and other disasters.

“HP has partnered with SCORE to help small businesses get access to government and corporate contracts, plan for disaster recovery, and offer seminars on how to remain a strong business even in difficult times,” says Michael Nordstrom, manager of business marketing with HP. “Every entrepreneur in America should have a SCORE mentor on his or her team. SCORE is an American invention—smart, entrepreneurial and focused on the future and future success of every small business in America.”

SCORE helped local businesses rebuild after the Midwest flooding in 2008. Cedar Rapids SCORE counselors volunteered at a business recovery center set up by the SBA to help small businesses. Volunteers in states along the Mississippi River provided mentoring to hundreds of small businesses affected by flooding.

“After the ‘1,000 year flood’ of the Mississippi River, SCORE was asked to help at the SBA’s Business Disaster Recovery Center. For nine hours a day, six days a week, two or more SCORE counselors were there,” says Greg Tomsic, volunteer counselor with Cedar Rapids SCORE. “It’s going to take time to recover, but Cedar Rapids SCORE will be there to help.”

### **Veterans Can Succeed with SCORE**

Men and women serving in the U.S. Armed Forces can count on SCORE for business mentoring and advice. After returning from duty, veterans face a unique challenge: to join, or sometimes rejoin, a competitive job market. For some of them, starting a small business is an attractive option, especially if they had previous business experience or acquired entrepreneurial skills.

“I wasn’t a neophyte when it came to starting a business, but everybody needs to think outside the box. And the only way to do that is to have someone from outside take a look at what you do,” says Jack Licata, U.S. Air Force veteran and owner of Fast Bags Corporation,

which produces biodegradable trash bags in Basking Ridge, New Jersey. "That's what the people at SCORE do best. Even if you've done all this before, they'll give you insights and ideas that you might never have thought of."

Many SCORE volunteers are Vietnam, Korea and WWII veterans. Eleven percent of SCORE clients are veterans, with one percent service-disabled. SCORE counselors can provide assistance for the new SBA Patriot Express Pilot Loan Initiative, which offers loans to help start or grow a small business.

Many SCORE offices have established programs or outreach specifically for veterans, National Guard and Reservists. These include:

- New York City SCORE has made presentations to hundreds of veterans at Fort Hamilton Hospital in Brooklyn on how SCORE can help with business issues.
- San Diego SCORE assists wounded and returning veterans and their spouses with finding a new career path.
- California SCORE chapters teamed up with the California National Guard to offer business mentoring and workshops.
- Bucks County SCORE offers the "Welcome Home Vets" program, which assists returning troops with starting a new business or reviving a current one. The free services are also available for spouses of returning veterans.
- Rapid City SCORE worked with the Ellsworth Air Force Base to provide a monthly workshop for airmen getting discharged or who are retiring.
- St. Paul SCORE offers free classes on building effective Web sites for veterans of the Iraq war.
- Buffalo Niagara SCORE waives workshop fees for veterans and members of the National Guard and Reserves.
- Antelope Valley SCORE volunteers visit Edwards Air Force Base and South New Jersey SCORE volunteers visit Fort Dix to mentor service men and women who will be exiting the military within a year.
- Omaha SCORE works with the Nebraska National Guard Program.

SCORE chapters often work with clients through the Transition Assistance Program (TAP). This program helps service members move from their military service to a civilian career, which can include starting a business. Some SCORE offices that participate in the program include:

- Washington, DC SCORE with the Washington Navy Yard
- Colorado Springs SCORE with the Peterson Air Force Base
- Waco SCORE with Fort Hood

SCORE volunteers, many of whom served in the military themselves, are proud to support the success of entrepreneurs in the military community.

### SCORE Faces Funding Challenges

Although SCORE is not required by the SBA to do so, we continue to seek an increase in nongovernmental funding. Last year, SCORE raised more than \$1 million in total contributions from corporate, foundation and volunteer sources. Most of these donated funds are restricted gifts for specific projects, and the funds cannot be used beyond their intended purpose. These include the HP disaster preparedness workshops I mentioned previously, as well as OPEN from American Express speed mentoring seminars being held in cities across the country.

The “Small Business Speed Coaching Test Drive” brought a fast-paced series of workshops and speed mentoring sessions to 2,000 business owners in five cities across the country. They received help as the economy turned down with seminars on getting new customers, growing sales and managing operations efficiently. Attendees also learned about local SCORE services, with many signing up for additional counseling at SCORE office locations. I was a counselor at the speed coaching event held in Orlando last year. It was a high energy day that created many new raving fans for SCORE. In addition, the event energized me and my 50 fellow counselors. The program was so popular that 15 additional events will be held in 2009, expanding to small and mid-sized towns and cities.

Bank of America supported the *Business Basics* workbook in English and Spanish. The Office Depot Foundation supports the SCORE disaster preparedness Web section and American Express OPEN supports the SCORE Web site home page. Donors sponsored the popular *SCORE eNews* and *SCORE Expert Answers* eNewsletters. UPS, Visa and Concentric sponsored online workshops to help small businesses create success in a tightening economy.

Even with this support, educational programs, diversity outreach, online tools and training remain under-funded. These targeted donations have helped to fund local and national SCORE resources, but they cannot go into SCORE’s general fund and they cannot replace the dedicated appropriation we receive from Congress each year. While major corporations are interested in reaching out to entrepreneurs and small business owners through SCORE, they mainly provide funds for specific projects—not infrastructure, general support and organizational growth.

SCORE will continue to rely on the federal grant for operational funds. Congress set SCORE’s annual funding level at \$5 million from FY02-FY07, although in some years, Congress mandated an across-the-board rescission of up to one percent that reduced the amount SCORE actually received. In FY08, Congress reduced SCORE’s appropriation to \$4.95 million. Based on inflation, the \$5 million that SCORE was appropriated in FY02 has a purchasing power of about \$4.3 million today, or a decline of \$700,000. With a paid staff of just 16, SCORE’s ability to generate additional funds is limited.

While SCORE’s appropriation has remained level at just under \$5 million, SBDC’s appropriation has grown from \$88 million in FY02 to \$97 million last year, and the Women’s Business Center’s appropriation has increased from \$12 million to \$13 million. All of the SBA resource partners—SCORE, SBDC and Women’s Business Centers—offer valuable training and assistance to help entrepreneurs succeed. SCORE continues to

demonstrate its value in both cost and efficiency, and we also deserve an increased appropriation and appreciate the Committee's support for \$7 million in both 2010 and 2011. Unfortunately it is not enough to allow SCORE to fulfill its mission of service to America's entrepreneurs at this critical time in our economic history.

#### **SCORE Requests Additional Financial Support**

SCORE is grateful for the support that has been provided over the years by this committee. However, to meet rising costs, expand services and modernize operations, we request that the subcommittee and full committee consider authorizing SCORE for \$10 million in FY 2010 and in FY 2011. We also request that the committee urge the House Appropriations Subcommittee on Financial Services and General Government to fully fund SCORE at the authorized level in FY 2010. SCORE has not been funded at its authorized level in more than five years.

The additional funding requested would allow SCORE to better serve our clients by:

- Leveraging new technologies, including online community tools, social networking and media opportunities.
- Developing a counselor certification and continuing education program that would improve the quality and impact of SCORE services and create greater consistency of services.
- Developing and implementing a new client intake model with a SCORE relationship manager who would guide the client to and through the many resources offered by SCORE.
- Developing communities of expert counselors around specific businesses and functional disciplines that will act as a resource for SCORE clients nationwide.
- Providing more accurate reports to Congress and other stakeholders related to economic impact and other important outcomes.

With a higher level of funding from Congress, SCORE can offer more support to chapters and volunteers; provide mentoring and workshops to more clients; help small businesses survive the recession; and support job creation in communities across the country.

Laura Dessauer decided to put her master's degree in art therapy to use aiding children through her Sarasota business, Creativity Queen LLC. Laura met with Manasota SCORE mentor Wally Bishop for 25 mentoring sessions. She opened her firm in November 2006, just as the Florida economy was beginning to slide. Together with Wally, she developed her strategic plan, trademarked her logo and planned a sales strategy. She wrote a book using the character she created, "Creativity Queen."

Wally helped Laura identify opportunities that included multiple product lines to give her more revenue options. She not only offers direct art therapy, but she's expanded her business into 12-week courses for children, plus a book and DVD available commercially. SCORE provided mentoring on business planning, sales planning, financing, leasing, marketing planning and publishing. Laura Dessauer was honored by Manasota SCORE as

client of the year in 2007 for her first year of success. She says the SCORE honor brought her publicity and credibility and helped more people find out about her business.

Laura's first year in business was profitable and she added her first employee. Her second year revenue grew 20 percent and she continued to be profitable. As the recession took hold in Florida, Laura says, "SCORE helped me lay the foundation, so I could be nimble and effective in adjusting my product offerings in the fall of 2008. SCORE mentoring helped prepare me, so I could double revenue for four months and have a cushion as the recession continues."

Laura adds, "I wholeheartedly recommend SCORE. The business experience and knowledge my counselor shared helped guide me through unfamiliar territory and set up a path forward to meet my goals. What I learned from SCORE continues to help me make it through the recession. I'm ahead in revenue for 2009. I'll be back in touch with my mentor to brainstorm ideas and look ahead to the next six months and how to stay profitable in 2009."

Chairman Shuler, Ranking Member Luetkemeyer and members of the committee: Every entrepreneur SCORE helps is a company, a job and a contributor to the economy. Every small business matters, and SCORE mentors make a difference. SCORE appreciates the support of this committee and your personal support of SCORE.

I would be pleased to answer any questions you may have. Thank you again for this opportunity to testify.

Respectfully submitted,  
Jeannette Watling-Mills  
Chair, Manasota Chapter  
SCORE Association



Testimony from the Community Education Council of Elk and Cameron Counties, 4 Erie Avenue, Suite 200, St Marys, PA 15857 in support of legislative initiatives to update the Entrepreneurial Development programs of the Small Business Administration through the use of distance learning resources for entrepreneurs. Presented by Donna Kilhoffer, CEC Program Manager.

### **Community Education Councils**

As defined by the Pennsylvania Department of Education, "The community education councils are non-profit organizations that bring higher education opportunities to rural or educationally underserved communities in Pennsylvania. They serve their communities by assessing the education and training needs of their community and partnering with providers to offer educational programs. Programming includes programs, courses or classes leading to professional, vocational or occupational certification or licensure, an associate degree, a bachelor's degree, a master's degree, GED preparation, skill development or skill enhancement for the community workforce and customized job training for community employers. Further, the community education councils serve as a vehicle for employment opportunities, which meet the community's current and future economic development needs." Currently there are nine Community Education Councils located throughout the state.

The Community Education Council of Elk and Cameron Counties (CEC) was formed in 1992 to fill the educational void that existed in these two counties. Since the Council began, we have grown tremendously - not only in student enrollment, but also in scope of our services. Our primary mission - to facilitate post-secondary educational opportunities - is funded by the Pennsylvania Department of Education. Over the past few years, as the economic situation in our area has changed and we have grown, we have taken on many different projects that could be described as support services or auxiliary educational services. The facilitation of financial & entrepreneurial education in our area is one such service. It is our role as a postsecondary education facilitator to find the most appropriate and cost effective way to bring training and educational opportunities to Elk and Cameron Counties. The CEC is available to partner with and facilitate new programs, classes and training opportunities that relate to economic growth and a prepared workforce for our region. We pride ourselves in being very flexible, so the CEC is willing to work to bring in whatever type of programming that is needed. As the saying goes, the Education Councils know the pulse of their particular communities and are key to the development of their areas.

### **Distance Technology Use to Date**

Distance technology has been a platform for providing education, training, seminars and workshops on a variety of levels and topics from the inception of the CEC. Through distance technology the CEC has facilitated master, bachelors and associate degree educational programs.

Act 48 programming for teachers, CEU seminars on a variety of topics ranging from Wastewater Treatment to Financial & Legal subjects to Early Childhood and Day Care Provider training, and PLCB training updates have been presented at our facility through distance technology. Our high schools are using distance technology to provide advanced placement and dual enrollment classes to their students. The North Central Pennsylvania Regional Planning and Development Commission is using distance technology to inform our businesses of the global market information and opportunities available to them.

**Our Region**

Elk and Cameron Counties are situated in north central Pennsylvania north of Interstate 80 and approximately 75 miles south of the New York state border. We are in the heart of the Allegheny National Forest, at the center of the PA Wilds Initiative, just south of the Route 6 Corridor and the hub of the Lumber Heritage initiative. The population of the two counties combined is under 50,000 residents.

There are four public school systems and one private school system in Elk and Cameron Counties. For the school term 2008-2009, in the Elk County Districts the combined number of students in the graduating senior classes is under 500. We have no Community College, no Vocational or Career & Technical Education Center. Many of our graduating seniors will be first generation college students.

**Our Economy**

Economically, Elk and Cameron Counties are experiencing a downward turn within the major manufacturing entities. Since many of our industries are tied to the automotive industries when they are down, our companies are down. Fortunately, thanks to the entrepreneurial spirit of our people, the smaller companies in our region are less affected by the global market place.

Of the 10 major employers in Elk County 8 of them are manufacturing entities. In Cameron County 5 out of the 10 are manufacturers.

Unlike the southern part of our state where dairy farming is prevalent, our agricultural industry centers on Lumbering. In the business sector of our economy, approximately 50 % of the businesses have between 1 and 4 employees. As of the spring of 2008, the per capita income for Elk County was just under \$30,000 per year, just over \$25,000 in Cameron County. The latest data on unemployment rates indicated we are at approximately 12% in Elk County and 15% in Cameron County; but this number is on a rapid climb. We are in a state of flux, we will have to rethink, retool and rebuild our economic base. It is projected that the economic viability of our area will center on our natural resources - making use of the Allegheny National Forest, the Clarion River and the assets of the PA Wilds. That would mean a growth in our service industries; growth in small businesses centered on the tourist trade; all indicators of a growth in entrepreneurial ventures.

**Our People**

Now let me introduce you to some of the people in our communities.

Doug is the founder and owner of a small (under 20 employees) powdered metal company in Elk County. Doug and 6 other students received their MBA from Penn State University by attending classes presented through Interactive Television at the CEC. Doug will have a need to stay on top of latest changes in tax legislation, the latest OSHA requirements, changes in insurance regulations – any topic that will relate to his small business.

Nate, an Elk County native, graduate of the local high school, is a young man in his early twenties with the dream of running a canoe livery along the Clarion River. Nate has been canoeing the river since before he was school age. He has a knowledge of the local area. He has the desire to put in the long hours and hard work that running a small business would require. What Nate does not have is the knowledge needed to get started. He needs a business plan. He needs market data and marketing opportunities. He needs access to information and experts relating to the legal, tax and financial issues he will encounter.

Kurt is a young family man who was faced with a forced layoff in the mid 1990's when a local brake producing company shut its doors. Kurt is a perfect example of the entrepreneurial spirit alive and well in our area. When the layoff came, Kurt was in his early thirties, had lived in Elk County all his life and had a wife and a small child to support. What next? Kurt's "what next" was to take one of the things he knew best and most enjoyed – fishing. With the help of the Small Business Development Center at Clarion University, Kurt began a business as a fishing guide. Today, Kurt makes use of technology everyday to advertise and promote his business and to be aware of fish stockings in the area.

### **The Need**

I'd like to share with you an excerpt from an email received by the CEC dated March 25, 2009. This email is from Angela who works as the Office Manager for a small tar and chip company in our area.

*"The purpose of this email is to obtain information regarding upcoming courses that will inform us, an other small business owners, on small business taxes. My specific example is that our accountant, that we trust greatly, met with us to discuss our taxes and how he filed them for us. He said we had options, but he went with the one he thought would work best for us. Though I do not doubt his choice, I would like to know what the heck he was talking about and, perhaps, offer my 2 cents in our financial future.*

*Second, a course for small business financing and insurance information. Should we pay our bills right away? Can someone explain to us what all of the insurance terminology is for our commercial business, equipment liabilities and all of that other fine print means? Probably wouldn't hurt to throw in a small bit on health insurance for small businesses and the options they have. I have found the best option is to get it yourself through Highmark or your carrier of choice - its cheaper!*

*So, what I am saying is that I am looking for any school in the surrounding area that is offering courses pertaining to these subjects. We are willing to travel to Bradford, DuBois, Ridgway, Clearfield and Clarion if needed; but of course, we would prefer to keep it local."*

I am still looking for a course for Angela that meets her criteria. Perhaps presenting some of the resources of the Small Business Administration through distance technology at the CEC is the answer Angela is looking for?

### **Conclusion**

There is an entrepreneurial spirit alive and well in our area. What is lacking is the expertise and opportunity to tap into "the experts" regarding changes beyond our area – changes in laws and reporting and market trends. The resources of the Small Business Administration married with distance education technology appears to be one of the most logical, timely, cost effective ways to bridge a gap that would allow the CEC to have answers for the questions Angela has posed and allow Nate to fulfill his dream and open his canoe livery. It would appear to me that the legislative initiatives presented regarding Entrepreneurial Development would be a win-win situation for all involved.

Respectfully submitted March 31, 2009 by  
Donna Kilhoffer, Program Manager  
Community Education Council of Elk and Cameron Counties  
donna@ed-council.org

**Testimony of Dr. Barbara Rackley  
Rural Enterprises of Oklahoma, Inc.  
Women's Business Center Program**

**United States House of Representatives,  
Subcommittee on Rural Development, Entrepreneurship &  
Trade, Committee on Small Business**

**"Legislative Initiatives to Modernize SBA's Entrepreneurial  
Development Programs**

**April 2, 2009**

Mr. Chairman and distinguished Members of the Rural Development, Entrepreneurship & Trade Subcommittee, I am Dr. Barbara Rackley, coordinator of the Women's Business Center (WBC) of Rural Enterprises of Oklahoma (REI). I appreciate your invitation to appear before you to discuss H.R.\_\_\_\_, The Small Business Administration Women's Business Programs Act of 2009, sponsored by Oklahoma Congresswoman Mary Fallin. On behalf of REI, I am pleased to offer positive insight on important legislation, which will reauthorize the women's entrepreneurial development programs of the Small Business Administration.

Rural Enterprises is a statewide non-profit economic development organization that has assisted Oklahoma businesses and communities for more than 25 years. Our organization partners with state and local government and community entities to create jobs and promote economic growth across Oklahoma. One of our most successful initiatives is the Women's Business Center, which provides training and professional development services for women entrepreneurs. Services of our Women's Business Center are available statewide from two locations: Durant and Oklahoma City.

The mission of REI's Women's Business Centers is to assist Oklahoma's enterprising women entrepreneurs who want to start a business or expand an existing one. To date, we have assisted over 10,000 women entrepreneurs to help them reach their business ownership goals. It is safe to say that we would not be in a position to provide these essential services without the support and partnership of the Small Business Administration's Office of Women Business Ownership.

Our Rural Women's Business Center was first funded in 2001 to serve the southeastern quadrant of Oklahoma. At that time there were two centers in the Oklahoma City area that failed to complete their initial five year contract. This illustrates the importance of establishing the Women's Business Center within an organization such as REI. The REI Board of Directors views the WBC as an

integral component of the organization's economic development activities and state funding is secured for our matching funds.

At the end of the first five years, REI applied for another contract to expand services statewide so that women entrepreneurs across Oklahoma would have access to all the resources offered by Women's Business Centers. REI was successful in securing such an additional contract and ultimately opened its second Women's Business Center in Oklahoma City.

I am speaking today on behalf of Women's Business Centers and would like to share some real-life stories with you. We always talk numbers but for a few minutes please indulge me to talk about some of the wonderful women entrepreneurs we have in Oklahoma and how we have been able to assist them in their businesses.

We call one of our clients "the fudge lady" because she makes the best fudge you ever tasted. Her fudge must be purchased online because she is located in Battiest, OK, in the middle of the Ouachita Mountain range. This is almost on the Oklahoma-Arkansas border and one must know exactly where to go to find her. When she first contacted us, she was already making fudge but did not have a commercial kitchen. We were able to direct her to the proper resources to help her correctly establish a food business. Her husband built a commercial kitchen next to their house and she attended our e-Commerce class to learn more about doing business on the internet. Now, her business is established, she operates by all the standard health codes and she ships her fudge anywhere to anyone who shops online.

Many times our clients come to us after having already started their business. Sometimes they have already learned by their mistakes and then had to figure out how to overcome the obstacles. One of our women entrepreneurs started attending our training workshops as soon as we offered them in her community. She never missed a meeting. She even heard some of the presentations more than once. We noticed that during the networking time her response was always the same: *"Someday I am going to have my own business. I don't know what it is but I will have a business someday"*. After attending for almost two years and taking advantage of all the training -- from taxes to business plans to marketing and financing a small business, she opened a unique and very specialized gift shop on main street in Seminole, OK. It soon became a success.

Then, there is the client that started her company at her kitchen table as an independent software sales representative. She partnered her company with other major publishers to provide better valued research-based software to schools in Southeast Oklahoma for the best value. At the time the Women's Business Center was opening at REI, she was moving into one of our business incubators. She and her staff always take advantage of programs offered by the Women's Business Center. With an expanded staff for research and

development, her first software program took shape in 2006 with the launch of a web-based math facts fluency program. Now three years later, over 10,000 students in four states use this program everyday from school and home. When she started she had one employee. Now, she has 17 sales reps working in Texas, Oklahoma, Kansas, Missouri, and Nebraska. Tonight, at the Durant Area Chamber of Commerce banquet this incredible lady's company will be recognized as the Small Business of the Year.

I should point out that training and assistance are provided in local communities. By working with partners in these communities, training workshops and networking opportunities are held in locations convenient to the women entrepreneurs, saving them both time and money.

Some of our business owners are beginning to feel the impact of the economic downturn. Although they need training, they will not have the extra money to pay for training workshops away from home. That puts even more value on the services of our Women's Business Center. The majority of our training workshops are absolutely free with an occasional minimal charge for full day training to cover expenses. These trainings include small business start-up basics, marketing, financing a business, business plan development, doing business with the government, and e-Commerce classes.

As the Women's Business Center was developing, one of the concerns that was being voiced by business owners and by lenders was the lack of accurate recordkeeping. We listened and then took action. We started classes in Quickbooks®. These classes require a computer lab and not all the areas we service have access to computer labs. To solve this problem, REI secured funding that provides our Women's Business Center with a portable lab of 12 laptops. These are in cases and readily available to travel to even the most remote areas. This training is provided for about one-third the cost of other Quickbooks® training classes and over the past three years we have trained hundreds of business owners.

The ladies we talked about earlier and everyone who attends our training workshops and networking events are the reason we need continued funding for Women's Business Centers. Many are starting their business with limited funds. Others are securing sizable loans to start their business. They do not have the extra resources to pay consultants to assist in developing a business plan, developing a marketing strategy or getting information for building a website. As previously stated, other training providers charge much more for the same classes we offer free and we teach them in the local community. There is not a greater return on investment than seeing an entrepreneur start a business, develop it, expand it, create jobs and ultimately celebrate success. When they succeed – we all succeed.

For the past eight years, I have been privileged to have a job that can be both fun and challenging but the greatest reward is meeting Oklahoma's enterprising women. I continue to be amazed not only at their creativity, but their relentless drive and determination to succeed in every area of their life. Thank you for this opportunity to speak on their behalf.

*the* **National Center**  
*for* **American Indian Enterprise Development**



TESTIMONY  
OF THE  
NATIONAL CENTER FOR AMERICAN INDIAN ENTERPRISE DEVELOPMENT  
FOR THE  
SUBCOMMITTEE ON RURAL DEVELOPMENT, ENTREPRENEURSHIP & TRADE  
OF THE  
HOUSE COMMITTEE ON SMALL BUSINESS  
HEARING  
ON THE  
"NATIVE AMERICAN BUSINESS DEVELOPMENT ENHANCEMENT ACT"  
ON  
APRIL 2, 2009

Headquarters:  
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## Statement of the National Center for American Indian Enterprise Development

**TESTIMONY  
ON  
NATIVE AMERICAN BUSINESS DEVELOPMENT ENHANCEMENT ACT OF 2009  
BEFORE THE  
SUBCOMMITTEE ON RURAL DEVELOPMENT,  
ENTREPRENEURSHIP AND TRADE  
OF THE  
HOUSE COMMITTEE ON SMALL BUSINESS  
APRIL 2, 2009**

Chairman Shuler and Ranking Member Luetkemeyer, I am Margo Gray Proctor of Tulsa, Oklahoma, a tribal member of the Osage Nation and President of the Horizon Companies. My small business provides engineering and other services to federal, state, tribal and local government and private sector customers. Recently I was elected Chair of the Board of Directors Chair of the National Center for American Indian Enterprise Development, commonly referred to as the National Center. I am very pleased that the Subcommittee asked the National Center to testify on Small Business Administration ("SBA") entrepreneurial development programs, specifically the new "Native American Business Development Enhancement Act of 2009" now before the Subcommittee.

The National Center commends the House Small Business Committee's leadership for moving quickly to reauthorize and improve SBA's entrepreneurial development and small business contracting programs. We applaud Chairwoman Velazquez's persistence in holding SBA and the federal contracting agencies accountable, through many Scorecard reports and otherwise, not only to meet the government-wide small business contracting goals, but also to meet and increase the individual agencies' contracting goals.

To begin, I would like to provide the Subcommittee some historical perspective on Native American business development as context for the National Center's views on and proposed amendments to the new Native American Business Development Enhancement Act of 2009.

**Early Background of the National Center**

This year, the National Center or NCAIED is celebrating its 40<sup>th</sup> anniversary as the longest serving Native business development assistance provider in the United States. Our mission is to *develop the American Indian private sector* as a means to help our Native communities become self-sufficient. Our Board of Directors consists of tribal business and political leaders from among the 550 Indian tribes that govern their own tribal communities across the United States. National Center leaders have always played pivotal roles in spurring small business startups in the commercial and government marketplaces, and in working to break down barriers impeding Native companies' growth and success.

Formed by Indian business and community leaders in 1969 as the non-profit Urban Indian Development Association, the organization drew support from local Indian businesses and larger private sector companies in Southern California, such as ARCO, Southern California Edison, Southern California Gas, Bank of America, Wells Fargo, Rockwell, Hughes and McDonald Douglas. Its first federal support came from the Department of Commerce's Economic

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Development Agency (EDA) Indian Desk, similar to the model of other EDA-funded minority business development centers. An early Board Chairman, David Lester, received a Presidential appointment to the National Advisory Council for Minority Business Development, chaired by the Secretary of Commerce. The Council developed a blueprint for a national program promoting minority business ownership and presented its report to the President in 1971 recommending establishment of a new agency within Commerce dedicated to this purpose. Formed as the Office of Minority Business Enterprise, this agency received funding for its operations and made initial grants to the various minority business development organizations already in operation, including the National Center's precursor organization.

Since then, the National Center has evolved from one office with an urban Indian focus into a national organization linked with non-profit business assistance centers nationwide that support the National Center's mission. The Commerce Department's Minority Business Development Agency (MBDA) became an early partner, supporting an increasing number of centers dedicated to minority and Native business development. Of about 34 MBDA-funded centers nationwide, currently 6 Native American Business Enterprise Centers (NABECs) are in operation, of which 3 are managed by the National Center. These various centers furnish technical assistance and business development and management consulting services primarily to small and growing businesses owned by entrepreneurs who are Native American, Alaska Native, and Native Hawaiian, as well as to Indian tribes, Alaska regional and village corporations, Native Hawaiian organizations, and the enterprises owned by these Native organizations.

The National Center's NABECs are staffed primarily by Native American business and procurement consultants with experience in dealing with business challenges unique to Indian Country. On any given day, our business consultants engage in counseling sessions that address questions like: How do you balance tribal sovereign immunity with business interests to protect investments? How can you finance business start-ups and expansions when tribal trust lands and restricted allotments are inalienable and therefore cannot be used as collateral for business loans or lines of credit? How do you attract investments in manufacturing and other capital intensive ventures to remote reservations that lack physical and technology infrastructure essential to support business development?

The National Center made its mark by designing its services and training its staff to devote extra time and attention to help individual Native entrepreneurs and Indian tribes learn how to conduct business feasibility studies, develop business plans, establish banking relationships and lines of credit, begin marketing, expand operations, and even enter the challenging federal procurement market. By the late 1980s, the National Center operated 5 offices in the West providing business counseling services and helping their clients qualify for procurement opportunities with local, state and federal government agencies.

**Native Business and Procurement Technical Assistance**

When the Senate Indian Affairs Committee held oversight hearings on Indian business development in the late 1980s, the National Center's President was among the Indian business who urged expansion of procurement opportunities for contracting companies owned by individual Native entrepreneurs or by Indian tribes and Alaska Native regional and village corporations. The National Center testified that the growth of these Native-owned companies

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lagged far behind the rate of growth for other groups, with only 14,843 Native-owned businesses generating gross receipts of just \$646.7 million. *See* Oversight Hearing on “Barriers to Indian Participation in Government Procurement Contracting,” Senate Select Committee on Indian Affairs, 100th Cong. 2d Sess. 80 (1988). These numbers represented a mere 1.8% of the total number of small businesses, and with only 1.4% in gross receipts of all minority-owned businesses, combined. *Id.* Comparative figures showed: 248,141 Hispanic-owned companies with gross receipts of nearly \$15 billion; 339,239 African American-owned firms with gross receipts of \$12.4 billion; and 240,799 firms owned by Asian American and other minorities with gross receipts of nearly \$17.3 billion. *Id.* To reach parity with these other groups on a per capita basis, the National Center estimated that a 4,000% increase in Native business ownership would be needed. *Id.*

The low level of federal (particularly defense) contract awards to Native-owned firms greatly concerned then Committee Chairman Daniel K. Inouye. He emphasized that “directing [the] purchasing power [of the U.S. Government] to accomplish social goals such as assisting disadvantaged members of society is well established” and acknowledged that “unfortunately, ... this public policy goal has not been achieved with respect to the participation of businesses owned by [N]ative Americans.” *Id.* at 2.<sup>1</sup> In keeping with federal Indian policies, he acknowledged that it is Native groups’ “common trust relationship with the United States” that “allow[s] the Congress to legislate unique benefits and treatment for the Native Americans.” *Id.*

As a result of this hearing, as well as Small Business Committee hearings, Congress passed several measures important to Indian Country. First, it added to the Defense Logistics Agency’s regional and state procurement assistance centers a new category of American Indian Procurement Technical Assistance Centers (AIPTACs) to target assistance to Indian Country. Congress also amended the SBA’s 8(a) program eligibility requirements to enable companies owned by a tribe or an Alaska Native regional or village corporation to apply for formal certification and receive business development assistance and contract support to enable them to generate revenues to return to their Native communities.

Over the years, the number of AIPTACs with large service areas has grown to 6 nationwide, assisting Native-owned companies in learning how to navigate the complex federal procurement marketplace. The National Center’s AIPTAC operates in Mesa, AZ and Polson, MT serving areas between them. Other AIPTACs have operations in El Segundo, CA serving the West and some of the Southwest; in Seattle, WA assisting the Pacific Northwest; Denver, CO, serving states south of the Plains area; and Marietta, GA and Reston, VA serving parts of the Midwest and the entire East Coast. AIPTAC staff help Native companies become proficient in using electronic registrations and Electronic Commerce/Electronic Data Interchanges, understanding applicable contracting agency’s requirements, applying for 8(a) and other certifications,

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<sup>1</sup> The public policy referenced in Chairman Inouye’s 1988 statement derives from the U.S. Constitution’s grant to Congress of the power “to regulate Commerce . . . with the Indian Tribes.” Article I, § 8, ¶ 3. This Constitutional provision, and its interpretation in subsequent landmark Supreme Court decisions, gave rise to the federal government’s special political relationship with and trust responsibilities to the Tribes. *See Cherokee Nation v. Georgia*, 30 U.S. 1 (1831); *Worcester v. Georgia*, 31 U.S. 515 (1832). Thus Congressional enactments regarding businesses owned by Tribes and ANC’s are based on this political relationship and trust obligation, not on a racial classification designed to remedy past racial discrimination.

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marketing their capabilities, identifying contracting opportunities, preparing proposals, and winning contracts.

**Native American Business Development Today**

The National Center has grown to fill the urgent need for business development and procurement technical assistance tailored to the needs of those in Indian Country. After the Clinton Administration left office, support diminished for Native business development centers. The Bush Administration defunded the Tribal Business Information Centers opened during the Clinton years, and flat lined the MBDA's budget. The National Center has worked hard to meet the ever-increasing demand for Native development assistance, while other providers, such as MBDA's Minority Business Enterprise Centers, and most of SBA's Small Business Development Centers (SBDCs) and most of the PTACs have serviced other constituencies.

In addition to the daily one-on-one services provided by our various offices, the National Center offers its Native-owned clientele introductions to valuable teaming partners, whether they are large, small, Native-owned, minority or non-minority companies. From our early years, we have continued to attract an extraordinary Resource Council of Fortune 500 and other major corporations, both in the defense and non-defense sectors, dedicated to working with the National Center and our Native business clients. Our Resource Council members play integral roles in our operations, several providing the required private dollar match for the federal cooperative agreements that our centers receive to be able to offer no-cost services to our clients. Nearly all Council members provide subcontracting or other types of partnering opportunities to smaller National Center clients.

Other major attractions offered by the National Center are its various business and procurement training and networking events throughout the year. These events promote Indian enterprises to the public and private sectors, and help us raise over 50 percent of the funds we need to be able to continue offering no-cost Native business assistance because federal funding for NABECs and AIPTACs has not increased in recent years. The National Center's flagship event is the phenomenally successful Reservation Economic Summit & American Indian Business Trade Fair ("RES" series) that we have hosted for the last 23 years. At our RES 2009 conference, over 2,500 individuals and 320 exhibitors attended, including Tribes, Alaska Native corporations, federal and other government procurement officials, and corporate and Native business representatives.

In sum, the National Center estimates that its centers have assisted about 80% of the Tribes in the lower 48 states and more than 25,000 Native enterprises, and have trained over 10,000 tribal members. Furthermore, due to its centers' bid matching and other business assistance and networking opportunities produced at the RES and similar conferences, National Center clients have received over \$2.5 billion in contract awards and financings -- translating to an estimated 50,000 jobs -- over the last 4 years alone.

The results of all these efforts demonstrate real progress. The U.S. Census Bureau reported in 1997 that its data (though incomplete) showed 197,300 Native-owned businesses in the United States, up 84% from 1992, employing 298,700 people and generating \$34.3 billion in revenues. See 1997 Economic Census: *Survey of Minority Owned Business Enterprises*: Company

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Statistics Series (2001). By 2002, Census estimates were 206,125 Native-owned firms, up 4% from the 1997, but total revenues down 23% to \$26.3 billion. *See* 2002 Survey of Business Owners, U.S. Census Bureau. We would prefer to report more current figures, but unfortunately the 2002 survey presents the most recent data available.

**Continuing Barriers to Small and Minority Business and Contracting Growth**

This Committee recognizes, and many witnesses have noted, that major barriers continue to hamper small and minority businesses' growth and their access to federal prime contract and subcontract awards. With federal contract award dollars doubling over the last five years, small businesses' percentage share of that market should have risen as well, especially if federal contracting agencies were meeting their small business contracting goals, as they claimed. Instead, however, small and minority contractors' shares of the pie have declined significantly. There is general agreement that the following problems have contributed to this decline:

- Bundling/consolidating contracts into sizes beyond most small contractors' capabilities;
- Huge growth in emergency/overseas contracts not subject to small business contracting requirements or goals;
- Barriers to growth, especially the existing SBA limitations on individual owners' net worth, that prematurely graduate entrepreneurs from SBA's 8(a) and SDB programs before they can build their companies into stronger competitors able to pursue and perform larger contracts;
- Lax compliance with, and limited or non-existent enforcement of, 1) subcontracting plan requirements, 2) government-wide and agency small and minority business contracting goals, 3) companies' size and proper coding of contract awards as made to companies that qualify as small and minority owned; and
- Downsizing of the federal procurement workforce, compounding the above problems, as overworked contracting personnel have had to deal with higher volumes of contracting actions, pressures to meet deadlines and small business goals, and little or no time to monitor compliance with existing rules designed to 1) prevent or reduce contract bundling and consolidation, 2) enforce subcontracting plan requirements, and 3) enforce limits on subcontracting, among other key areas requiring additional oversight.

The above problems could be compounded by pressures to meet the noble, but daunting, requirements imposed by the new Obama Administration's initiatives to expedite federal actions to disseminate economic stimulus funds provided in the American Recovery and Reinvestment Act (ARRA) to "shovel ready" and other projects across the country. Coupled with these contracting actions are heightened reporting and oversight responsibilities of federal procurement and other officials to ensure transparent and effective utilization of these ARRA funds.

The House Small Business Committee already has taken many commendable steps to try to tackle the problems listed above. The Scorecard reports served as needed "wake up" calls to SBA and the federal contracting agencies, and SBA has worked harder to clean up its databases,

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review millions of contract actions, identify miscoded contracts, and step up oversight activities. The Committee also has diligently moved bills through the House of Representatives to improve and reauthorize the SBA's entrepreneurial development and contracting programs.

To do its part to advance these initiatives, several years ago the National Center launched a series of private sector programs at various Native business development and procurement technical assistance conferences hosted or co-hosted by its centers around the country. We formed a more formal collaboration with the National Congress of American Indians (NCAI), and with the Native American Contractors Association (NACA) through a Memorandum of Understanding to work together to expand partnering and contracting opportunities among small and minority businesses. Our three organizations developed a common agenda to advance Native business and economic development initiatives, increase federal contracting and partnering opportunities for all types of small and small disadvantaged businesses, and encourage the federal agencies to increase their individual agency small business contracting goals, and meet and exceed the government-wide contracting goals.

At its most recent RES 2009 conference, the National Center presented two days of business learning sessions focusing on "Going Global, Thinking Green, Generating Growth" through stimulus opportunities in the ARRA, a day-long procurement pavilion featuring hundreds of bid-matching meetings, and a day-long Trade Fair. Particularly pertinent to this hearing was our General Session entitled "Elevating Native American Business Development" within the Department of Commerce and the SBA, kicked off by a presentation by SBA's new Chief of Staff, Ana Ma. Among the recommendations made by several national Native organizations during that General Session were that the Congress should 1) authorize and adequately fund the SBA's Office of Native American Affairs, and 2) provide increased funding for centers devoted to Native entrepreneurial development. Armed with these recommendations, we are able to present the views of the National Center and the other organizations that made presentations on these subjects just a few weeks ago at our 23<sup>rd</sup> Annual RES conference.

**Recommendations**

We believe that, in reauthorizing SBA programs, Congress should include improvements designed to reverse the downward trend in small disadvantaged business contracting and funding for Native and other minority business assistance providers. We present below the positions that have been agreed to by the NCAIED, NACA and NCAI and others in the minority contracting community. These recommendations are designed to advance our interests, and those of many of your constituents, in receiving higher levels of federal contract and cooperative agreement support to achieve our business objectives.

The National Center offers the following specific recommendations for the Subcommittee's consideration:

1. Authorize and Adequately Fund SBA's Office of Native American Affairs:

The National Center has long urged that Congress formally authorize the SBA Office of Native American Affairs, and we are delighted that the new House proposal would authorize this Office and install an Associate Administrator. We are pleased that the bill proposes to authorize \$2

**Statement of the National Center for American Indian Enterprise Development**

million for each of FY 2010 and 2011 for this Office's operations. Senate-passed bills also have authorized this Office, and the National Center and NCAI are on record in support of Senator Tim Johnson's bill ordered reported in the 110th Congress, S. 2920, to authorize this Office and new Native American Business Centers (see NCAI Resolution No. PHX-08-007, attached).

This important Office of Native American Affairs should continue its outreach and oversee the new grant program proposed in the bill. We also think this Office should coordinate Native American participation in SBA's 8(a) program generally, and specifically in the SBA's ongoing 8(a) Reform Agenda, to improve the accountability, transparency, efficiency and success of the 8(a) program as it applies to Alaska Native and tribal enterprises, and their joint venture and other partnering arrangements. The Office also should collaborate with other SBA divisions to improve the access of tribes, Alaska Native corporations and other Native entrepreneurs to procurement assistance, small business loans, innovative research support, and other SBA programs.

**2. Increase Grant Support for Native Business Assistance Centers:**

The National Center and other national Native organizations support substantial funding increases for existing programs that have proven track records of effectively targeting business management, financial assistance and procurement technical assistance to tribes, Alaska Native corporations, enterprises owned by them, and Native entrepreneurs. Therefore, we applaud the recent decision of new bill's sponsors to increase the authorization to \$15 million for FY 2010 and \$17 million for FY 2011 for grants of up to \$300,000 each to entities designated under a Tribal Business Information Center program to provide Native business training and entrepreneurial development assistance.

The new proposal suggests a more flexible approach that would allow the new Associate Administrator of Native American Affairs to designate certain entities as grant recipients. The National Center supports this provision, as long as existing NABECs, AIPTACs, and NCDIFs qualify for designation. Furthermore, if grant funding is made available before the SBA finalizes new regulations to designate future grant recipients, the Associate Administrator should be given the flexibility to distribute those grant funds pro rata to existing Native business and procurement assistance centers.

As noted, we earlier endorsed the collaborative approach to small business assistance contained in Senator Johnson's most recent bill, S. 2920, so that NABECs, AIPTACs, Native American Community Development Financial Institutions (NCDIFs), tribal colleges and Small Business Development Centers (SBDCs) are encouraged to work together to develop ways to expand their services, without duplication of efforts and costs. In our view, more partnering between the SBDCs and the NABECs and AIPTACs would cross fertilize their respective capabilities and trainings. As the National Center would not be eligible to apply for any funding under the SBDC proposal, we have suggested in the past that SBDC should partner with a NABEC or AIPTAC in applying for any additional grant designed to target assistance directly to tribes and Native entrepreneurs. Certainly we would want to see such partnering required if funds were appropriated for such additional grants to SBDCs, but no funds were appropriated for the grant program that would be authorized by Section 2.

**Statement of the National Center for American Indian Enterprise Development**

Section 3 of the new bill would authorize \$7 million in each of FY 2010 and 2011 for additional grants for which only existing SBDCs would be eligible if they operate in states with a Native American population (defined as "Indian tribe members, Native Alaskans and Native Hawaiians) of at least 1%. This section is identical to provisions of SBDC bills that previously passed the House, but stalled because the Senate acted on S. 2920 or its earlier iterations. Under Section 3, any existing SBDC in the 15 states with the requisite Native population would be eligible for an additional grant of up to \$300,000, with no match required, and would have to consult with tribal organizations on how best to provide assistance to Native Americans to develop and enhance small business startups and expansions, presumably on Indian lands (although the bill language is not clear on this point).

We fully recognize that the SBDC program has substantial Congressional support, given its authorization level of \$135 million and the full Committee's budget recommendation to the House Budget Committee to increase SBDC funding to this authorized level. The SBDC program clearly has benefited from this support, having already received an increase from the FY 2008 enacted level of \$97.1 million to \$120 million for FY 2009 (with \$10 million provided for SBDC grants in the first Continuing Resolution for FY 2009, and another \$110 million in FY 2009 Omnibus Appropriations). By comparison, there have been no funding increases for the MBDA's minority and Native American business centers. The MBDA has had to operate within a budget of about \$29 million for the last several years, with less than \$11 million available for its minority centers and less than \$1.5 million for its NABECs. The DLA's budget for PTACs and AIPTACs has not increased much, certainly not to the extent of the increases for SBDCs. This imbalance in federal entrepreneurial funding has necessitated our outspokenness, knowing that augmented federal support for the NABECs and AIPTACs would enable them to provide so much more assistance to tribes and Native entrepreneurs as they struggle to weather the economic downturn.

We appreciate the balance that the new proposal attempts to strike between these two new grant programs, and we certainly support more entrepreneurial assistance to Indian Country. Therefore, we offer the following suggestion as an approach to consider to focus more SBA and SBDC resources on effective delivery of this assistance: an amendment to the new bill to make the additional \$7 million authorized in Section 3 available to SBDC grantees that partner with any of the Native American centers designated by the Associate Administrator under Section 2(b)(2) of the bill. With this approach, the new bill would build on the proven track records of Native American business assistance providers that have already been dedicating themselves to analyzing and navigating the complex, time-consuming business issues unique to Indian Country --- issues that, frankly, have discouraged many non-Native assistance providers (e.g., most SBDCs, PTACs, and lenders) from taking the time necessary to learn and deal effectively with the laws and customs of Tribes, Alaska regional and village corporations, and other Native entrepreneurs and Native communities across the country.

Below is the language, underscored, that could be inserted in Section 3(a) of the new bill to add in new subparagraph (A) of new paragraph (8) at the end of Section 21(a) of the Small Business Act (15 U.S.C. 648(a)):

“(8) IN GENERAL. – Any applicant in an eligible State that is funded by the Administration as a Small Business Development Center may apply in partnership with an entity designated by the Associate Administrator pursuant to

**Statement of the National Center for American Indian Enterprise Development**

section 44(b)(2)[as added by Section 2 of the proposed bill] for an additional grant used solely to provide services described in subsection (c)(3) to assist with outreach, development, and enhancement on Indian lands of small business startups and expansions owned by Indian tribe members, Alaska Natives and Native Hawaiians.”

In closing, I want to thank the Subcommittee for inviting the views of National Center as the longest serving small business assistance provider with the broadest reach in Indian Country. We applaud your leadership and the full Committee for your tireless efforts on behalf of the small business community. We look forward to working with you and your staff on this important Native American entrepreneurial development proposal as it proceeds through the legislative process.

Attachment: NCAI Resolution

## NATIONAL CONGRESS OF AMERICAN INDIANS



**The National Congress of American Indians  
Resolution #PHX-08-007**

**TITLE: Calling for Enactment of the Native American Small Business Development Act of 2007, as Amended and Incorporated in S. 2920, the SBA Reauthorization and Improvement Act of 2008**

**EXECUTIVE COMMITTEE****PRESIDENT**

Joe A. Garcia  
Ojibwe Ojibweg  
(Pueblo of San Juan)

**FIRST VICE-PRESIDENT**

Jefferson Reed  
Chickasaw Nation

**RECORDING SECRETARY**

W. Ron Allen  
Jamestown S'Klallam Tribe

**TREASURER**

galanahibos  
Jac Coast Cheille Band of Lake  
Superior Chippewa Indians

**REGIONAL VICE-PRESIDENTS**

**ALASKA**  
Milla Williams  
Yup'ik

**EASTERN OKLAHOMA**  
Joe Grayson, Jr.  
Cherokee Nation

**GREAT PLAINS**  
Ron His Horse Is Thunder  
Standing Rock Sioux Tribe

**MIDWEST**  
Robert Chicks  
Stockbridge-Munsee

**NORTHEAST**  
Randy Nolas  
Narragansett

**NORTHWEST**  
Emile Stensgar  
Coeur d'Alene Tribe

**PACIFIC**  
Juana Majel  
Pauma-Yuma Band of Mission Indians

**ROCKY MOUNTAIN**  
Willie Sharp, Jr.  
Blackfeet Tribe

**SOUTHEAST**  
Archie Lynch  
Haliwa-Saponi

**SOUTHERN PLAINS**  
Darrell Flyingman  
Cheyenne-Arapaho Tribes

**SOUTHWEST**  
Derek Valdes  
Pueblo of Acoma

**WESTERN**  
Alvin Moyle  
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**WHEREAS**, we, the members of the National Congress of American Indians of the United States, invoking the divine blessing of the Creator upon our efforts and purposes, in order to preserve for ourselves and our descendants the inherent sovereign rights of our Indian nations, rights secured under Indian treaties and agreements with the United States, and all other rights and benefits to which we are entitled under the laws and Constitution of the United States, to enlighten the public toward a better understanding of the Indian people, to preserve Indian cultural values, and otherwise promote the health, safety and welfare of the Indian people, do hereby establish and submit the following resolution; and

**WHEREAS**, the National Congress of American Indians (NCAI) was established in 1944 and is the oldest and largest national organization of American Indian and Alaska Native tribal governments; and

**WHEREAS**, the NCAI supports the economic, community and business development interests of Indian tribes, sovereign Indian tribes, Alaska Native Corporations (ANCs) and Native Hawaiian Organizations (NHOs) and the businesses owned by tribes, ANCs, NHOs and other Native entrepreneurs, including those that participate in the Small Business Administration (SBA) section 8(a) Business Development Program; and

**WHEREAS**, currently eight Native American Business Enterprise Centers (NABECs) provide valuable business development assistance to all types of Native-owned businesses, six American Indian procurement Technical Assistance Centers (AIPTACs) and over forty Native Community Development Financial Institutions (NCDIFIs) also have produced excellent track records of business revenues generated, loans made and other financial assistance provided, rendering significant returns on the federal investment; and

**WHEREAS**, only the Native American Small Business Development Act of 2007, sponsored by Senator Tim Johnson of South Dakota, as incorporated into S. 2920, the SBA Reauthorization and Improvement Act of 2008, as amended, include provisions specifically designed to promote development of more Native American Business Centers in Indian Country by including NABECs, AIPTACs, NCDIFIs, tribal colleges and other Native organizations as partners to facilitate and expedite business development assistance to meet the growing demand of Indian tribes, ANCs, NHOs and Native entrepreneurs for assistance in working to start up, expand and diversify businesses, create jobs and improve the economic health of their communities.

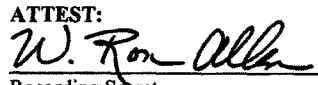
**NOW THEREFORE BE IT RESOLVED**, that the NCAI does hereby call upon the Congress to enact the provisions of S. 2920 to formalize and establish an Office of Native American Indian Affairs within the Small Business Administration and provide additional grant funding for delivery of small business development services in Indian Country through projects involving Indian tribes, ANCs, NHOs, NABECs, AIPTACs, NCDFIs, tribal colleges, and any combination thereof; and

**BE IT FURTHER RESOLVED**, that this resolution shall be the policy of NCAI until it is withdrawn or modified by subsequent resolution.

#### CERTIFICATION

The foregoing resolution was adopted by the General Assembly at the 2008 Annual Session of the National Congress of American Indians, held at the Phoenix Convention Center in Phoenix, Arizona on October 19-24, 2008, with a quorum present.

  
\_\_\_\_\_  
President

ATTEST:  
  
\_\_\_\_\_  
Recording Secretary

Written Testimony

**Louis J. Celli Jr.**

CEO, Northeast Veterans Business Resource Center  
Vice Chairman, American Legion Small Business Task Force

For the

**United States House of Representatives**  
**Committee on Small Business**  
**Subcommittee on Rural Development, Entrepreneurship and Trade**

*“To Evaluate Legislative Initiatives to Update SBA’s  
Entrepreneurial Development Programs”*

Thursday April 2<sup>nd</sup>, 2009  
Room 2360  
Rayburn House Office Building  
Washington, D.C.

Chairman Shuler, Ranking Member Luetkemeyer, and Members of the Committee:

Thank you for the opportunity to present my views on the SBA, and their entrepreneurship development programs as it applies to the veteran community.

As Chief Executive Officer of the Northeast Veterans Business Resource Center, I have been able to gather data, case histories and research important to veteran entrepreneurship. Our network of veteran business owners, federal, state, and community based leader's totals more than 12,000 stakeholders we maintain contact with on an annual basis.

My testimony today is a reflection of this work as I represent this community. Additionally, we are very impressed with the comprehensiveness and forward thinking planning that the Veterans Business Center Act of 2009 represents and want to commend Representative Nye for his work on this bill. We fully support this bill and will strongly oppose any attempts which will degrade the quality, scope or intent of this legislation.

\*\*\*\*\*

Princeton University defines "Patriot" as, - *One who loves and defends his or her country.*

The United States has brought freedom to more people than any other nation in history, and that freedom was bought and paid for with the sacrifices of our veterans.

A patriot is naturally protective and as someone who loves their country, wants to guard it, and take pride in its growth. All we want is to be able to look back some day and say to our children with pride, "Yes, I was there, and I did my share".

In his book "The American Patriots Almanac", William J. Bennett describes patriotism in this way;

*Patriotism brings an obligation. It involves actions, not just feelings. Occasionally, being a patriot means putting national interests before self. Here is when patriotism can be a hard virtue to live up to – when it involves sacrifice. The people who founded this nation did it. The signers of the Declaration of Independence, for example, were mostly wealthy men who could have gone on living comfortable lives with the status quo. But they put their fortunes, their safety, and their sacred honor on the line for something greater than themselves.*

*Americans who serve in the Armed Forces frequently put national interests before their own. They're often men and women who love their country more than self. It is crucial to remember and honor those patriots who have fought for America when necessary. Without them, we would not have a country.*

*September 11<sup>th</sup> reminds us that there will always be tyrants, madmen and bullies who hate American ideals, and as President Harry Truman once said, freedom "calls for courage and endurance, not only in soldiers, but in every man and woman who is free and is determined to remain free".*

We ask the patriots of this committee, our congress and our government to make the hard choices necessary to support, defend and enable our nation of veterans and their families, who today according to the U.S. Census Bureau currently represent more than 10 percent of the U.S. population.

We have come a long way since 1776, but are we that much different as a society? The plantation owners, landlords, and mercantilists of the 21<sup>st</sup> century are the multi national prime contractors of the world today and “we the people” are still struggling for equality.

In 1953 the Small Business Act was signed into law which created the Small Business Administration (SBA) we know today. The act was created to encourage and promote small business growth, and free competition. In 1945 and 1946 millions of Americans took off their uniforms after WWII and came home to a job market that was shrinking because the war no longer provided economic stimuli. True to their very nature, American patriots turned to entrepreneurship.

Still, large firms which grew powerful as a result of war production had a tremendous advantage over smaller and start-up companies, so Congress created the SBA to help level the playing field.

Over the past 6 months there have been thousands of news articles, political opinions, economists’ reports, financial experts’ testimony, and overall general consensus that small businesses WILL BE the primary economic factor which leads our economy out of recession.

If small business growth is the logical solution to economic strength in the United States, then why is it so difficult for small businesses to get the assistance they need to grow and compete fairly in the federal marketplace? While small business collectively represent 97% of all employers and are responsible for the majority of all corporate tax deposits, we are a community of individuals. Big businesses have an unequal ability to immediately influence opinion whether legislatively, through public advertising, or private investment in the political process.

To give you an idea of just how unbalanced this divide really is; when we talk about “small businesses” we think about micro enterprises, companies ranging from one employee up to about 100. The average citizen categorizes a small business as the local landscaper, barber, or hardware store. But what many American’s AND small business owners don’t realize is that the U.S. Small Business Administration generally considers a business “small” if they have less than 500 employees, for some industries the employee count can be as high as 1,500.

According to the Small Business League, a watchdog group which monitors federal spending; Boeing, Microsoft, Blackwater Security, Home Depot, Raytheon, Lockheed Martin, Hewlett-Packard, Rolls Royce, Exxon Mobile, AT&A, and over 100 other large businesses have won contracts specifically designated for small businesses.

Where does the voice of micro enterprise or start-up venture fit in? More often than not, they don’t.

Training, advocacy, access to capital, and someone to protect their interests are the tools these businesses need to survive, prosper and succeed. Accordingly, the U.S. Small Business Administration was created, and empowered by congress to insure that government sector support. Unfortunately, our government tends to be more reactive than proactive, and programs which support Economic Development are often left to deteriorate while America rides high on the wave of Bull Markets. Such is

the case of the Small Business Administration. With an annual budget of about \$750 million dollars, support for small businesses has been relegated to about the same amount of money than DoD spends on their luncheons.

Veterans, despite all of the programs and money that *are* dedicated for entrepreneurial outreach and development, have been the most historically undermaximized and overlooked socioeconomic group as recognized by SBA. Veteran Entrepreneurship programs started receiving funding in 1999 and have lost congressional interest and federal appropriations every year since. The 2009 appropriations which gave us a total of \$1.2 million to fund a national veteran's business center program is down from \$2.1 million in 2008.

To put things into perspective, out of the 2009 omnibus appropriations, the SBA manages the Women's Business Center program which received nearly \$14 Million, in addition, they maintain a Women's Business Council at \$775,000 (which is the same amount of funding the Office of Veterans Business Development had last year to operate their entire National Veterans Business Center program).

In addition to the \$110 million used to support the national network of Small Business Development Centers (SBDC), an additional \$162 million was appropriated for individual economic development projects around the country, such as \$608,000 for Economic development assistance for Wells, Nevada,,,,,, population 1,310

Again, the NATIONAL federal budget for the SBA Office of Veterans Business Development, which is responsible for supporting 5 Vet Business Outreach Centers, received less than \$750,000 for the 5<sup>th</sup> year in a row to support these 5 centers.

According to Section 101 of the Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50);

*Congress finds the following:*

- (1) Veterans of the United States Armed Forces have been and continue to be vital to the small business enterprises of the United States.*
- (2) In serving the United States, veterans often faced great risks to preserve the American dream of freedom and prosperity.*
- (3) The United States has done too little to assist veterans, particularly service-disabled veterans, in playing a greater role in the economy of the United States by forming and expanding small business enterprises.*
- (4) Medical advances and new medical technologies have made it possible for service-disabled veterans to play a much more active role in the formation and expansion of small business enterprises in the United States.*
- (5) The United States must provide additional assistance and support to veterans to better equip them to form and expand small business enterprises, thereby enabling them to realize the American dream that they fought to protect.*

Veterans face a unique set of challenges when starting or growing small businesses and micro enterprises, such as;

1. Lack of accumulation of assets. Due to the multiple transfers and relocations that occur during a military enlistment, veterans commonly leave the military as renters, never really having the opportunity to purchase a home. Since most new ventures are financed based on personal credit backed by assets (asset backed loans), veterans face a major disadvantage trying to start new businesses.
2. Military members commonly live in military communities. Their interaction with the civilian economy is reduced to consumer spending. They do not have the opportunity to network or accumulate industry specific skills, knowledge or experience that might be leveraged when starting a new business.
3. Guard and reserve members are always subject to extended and multiple deployments, which can render a business of nearly any size bankrupt or damaged.
4. Military members are trained with a can't fail, won't fail attitude, and often have a false sense of security regarding the level of assistance available as they depart the active military support system. As a military member, there is almost always a safety net; whether it is our chain of command, our fellow comrades, or an existing program designed to foster well being or success of service member and family. While considering post-military options, veterans are told that there are entrepreneurial programs and business financial assistance to assist them once they leave the military. We mistakenly believe that these programs are of the same caliber and intensity as the military support programs we are use to. Thus, veterans stand at the edge of their new cliff with a false sense of security, believing that the federal government has established programs to shepherd them with safe passage as they take that first civilian step. Unfortunately, many end up jumping off only to find out too late that there is no safety net to catch or enable them.

I'd like to end with a quick story;

Two friends graduate with the same class of 2001. Both have similar grades and both are of minority descent. One goes to a trade school for Heating and Air-conditioning, the other joins the military and is trained and deployed an HVAC technician (Heating and Air-conditioning) in Iraq.

- The graduate who went to a trade school worked as an apprentice for 4 years and then started a small business. That business was accepted into the SBA 8(a) business development program and by 2008 is servicing multiple federal and state contracts.
- In 2008 his friend the soldier leaves the military and tries to start a business using the SBA programs available to veterans. After 2 years of frustration and spotty support, the soldier ends up working for the class mate as a technician because his bills had become so far behind that his credit started to suffer.

This is not to attack or disparage other economic development programs; they all provide important services and offer consumers and American entrepreneurs a variety of alternatives which suit individual circumstances. What I am saying is that there is a kinship and shared sacrifice that serving in the military brings based on common experiences, hardships, training and triumphs. Veterans know how to interact with, and often will more readily seek help from other veterans, and we hold each other to higher standards than our non-veteran counterparts. I have even seen websites that proclaim "I speak veteran".

We are not asking for anything out of the ordinary or special, just a fair and equitable allocation of resources and protections with which to grow, survive and thrive in the Nation we took time out of our lives to defend, "against all enemies, foreign and domestic."

Every veteran in this room and every veteran in these United States, past, present and future, signed over a blank check payable, on demand to the "United States of America", for an amount up to and including, my life. The veterans who were never called upon to cash that check come before this committee today and ask "will you support and invest in us now, as we continue to serve and strengthen this nation, as corporate tax payers."

Suggestions/Recommendations;

1. SBA should institute a micro enterprise program specifically targeted to veterans, reservists and their families. i.e.; companies of 100 employees or smaller and NET annual revenues of 2 million or less.
2. Congress should establish a real, national Economic Development program for veterans to include, at a minimum, one Veterans Business Center per state or territory. Congress should Empower and fund these centers to maintain a robust catalogue of programs and services which include; Business start up and growth assistance, financial management and access to capital, Federal and other contracting and bonding capacity building, micro enterprise/home business start up packages, Targeted programs for spouses of Active Duty, Guard and Reserve business owners assistance AND advocacy/network building.
3. Charter a not-for-profit Veterans Entrepreneurial Institute to be established by the SBA Office of Veterans Business Development. This institute would be a training and certificate granting institution to teach veteran counselors how to properly screen and conduct counseling for veterans interested in entrepreneurship. To include State Veteran Affairs employees, Department of Veteran Affairs Vocational Rehabilitation Counselors, Department of Labor Disabled Veteran Outreach Personnel and Local Veteran Employment Representatives. Additionally, the institute would be the training academy for Veteran Business Training Center Directors and would conduct ongoing entrepreneurial skills development classes, and conduct and develop entrepreneurial research and program and policy design regarding veterans, Reserve component members and their family. This Institute would organize and facilitate veteran's entrepreneurship summits of public and private resources and expertise. This organization would also conduct Veteran Business Outreach seminars to help facilitate targeted access to SBA and other resources and, organize matchmaking and teaming events with Veteran Training centers across the country.
4. Rebuild, reinvest, and empower the SBA to perform the job it was designed to accomplish.

## Rebuilding the SBA

To *“aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns”* read the original charter of the U.S. Small Business Administration in 1953.

Dating back to 1932, the foundation on which the SBA was built included the combination of the Reconstruction Finance Corporation (RFC), The Smaller War Plants Corporation (SWPC), The Department of Commerce Office of Small Business (OSB), and The Small Defense Plants Administration (SDPA).

The combined responsibilities of these programs were clearly identified as;

1. Federal lending aid to small businesses (RFC)
2. Small business production assistance, direct lending assistance, federal procurement advocacy (SWPC)
3. Small business education and counseling (OSB)
4. Small Business Certification, federal procurement advocacy, production assistance (SDPA)

Over the years the SBA has always played an integral role in the support of American small business infrastructure but it appears that the Administrations focus has disproportionately focused its efforts on access to capital.

While the SBA has not abandoned its other responsibilities of training, procurement, advocacy, counseling and certification, these areas have taken the brunt of the agencies cutbacks and funding losses.

There are very few situations in this world that can be fixed simply by throwing money at the problem, and that is especially true when it comes to strengthening a self enterprise. While access to capital remains an important aspect of small business development and growth, studies and reports commissioned to determine the formula for small business success are unanimous in their findings that the absence of counseling, training, advocacy, and undercapitalization are the reasons most small businesses fail. Undercapitalization should not be confused with limited access to capital as most of these small businesses would not be mature enough or stable enough to qualify for any type of loan.

Over the years a number of congressionally chartered programs have been instituted to fill the huge gap in services left by an insufficient SBA. Small Business Development Centers (SBDC), Women Business Centers (WBC), Veteran Business Centers (VBC), the Service Corps of Retired Executives (SCORE) are all programs associated with the SBA, but created independently to fill a gap in services left by inadequate SBA programs.

We have come to accept the disjointed system of small business support as the standard by which our SBA is measured and asking only questions important to corresponding White House, depending on the prevailing Administration at the time.

There are offices within the SBA that most small business owners KNOW NOTHING ABOUT. For example, there is an office of Entrepreneurial Development, Office of Contracting Assistance, Office of International Trade, and Office of Veterans Business Development. Poll 10,000 business owner of varying stability who are at least 50 miles outside the beltway of Washington, Dc and I am confident that you will find that less than 1% of these business owners know these resources are there and I dare say; you will be hard pressed to find 10 of those 10,000 surveyed who will report that they have actually received quantifiable services from any of these offices directly.

It is time to fully empower the agency designed to support and build the American economic system of infrastructure through small business development, by; releasing policy constrictions, fully staffing offices, and charging program managers with program design and management resources which will realistically benefit our small business community.

SBA needs to structure and market the agency as would a small business. By offering outreach and educational programs, branding and advertising campaigns, and through public/private partnering, but most importantly, by LEADING American entrepreneurs to success, the SBA can become crowned jewel in the American catalogue of federal agencies.

A United States Small Business Administration with a strong training, advocacy, certification and capital access program, which is willing to get into the trenches of Main Street America with small business owners and get their hands dirty, is the type of Small Business Administration we need.

If we reinvest in the SBA, and provide "top down" support (from the White House), empower the agency and hold them accountable for results; we will save money, become partners with our economy by enabling self-success, improve efficiency, and grow as a nation together.

